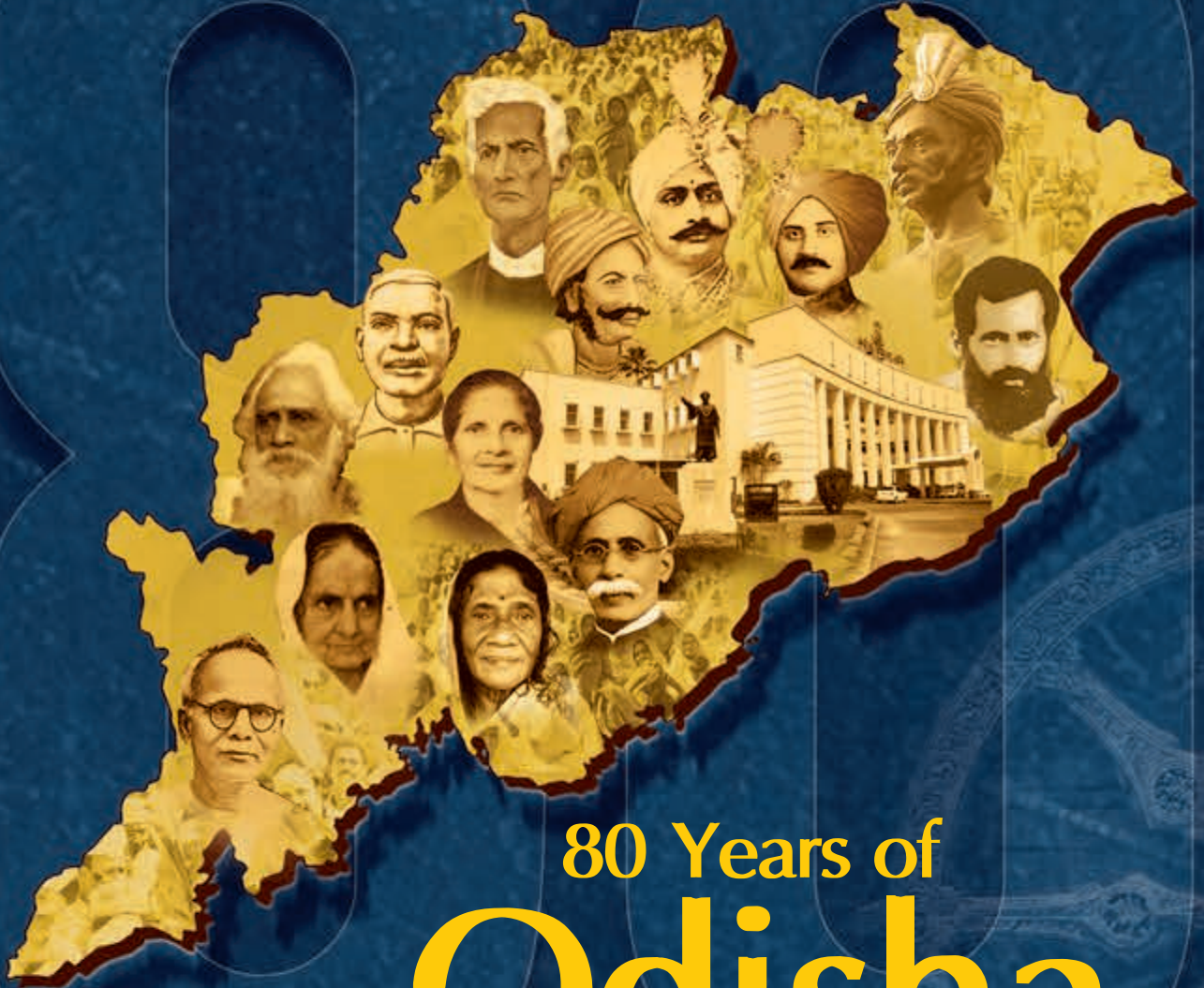




Government of Odisha



80 Years of
Odisha
Budget

A Commemorative Volume



Government of Odisha

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**Odisha
Budget**

A Commemorative Volume

80 Years of Odisha Budget:
A Commemorative Volume

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Foreword



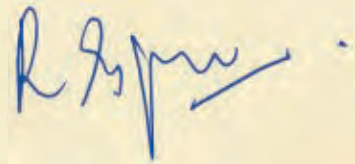
Economic history like other branches of history such as political history and cultural history provides insights into the changes that take place in specific human geographies identified in terms of language and culture. The foundational roots of the territory now known as modern Odisha are not only ancient but also diverse.

When Odisha was carved out as the first linguistic State of modern India on 1st April, 1936, it was a bold experiment that represented the aspirations of millions of Odia speakers to articulate a new political and linguistic identity for themselves. More than eighty years have passed and Odisha has come a long way. The journey of Odisha as a modern State of India makes for an interesting read. The road to the present-day has had its own curves and contours. Nevertheless, the enduring spirit of the people of Odisha has been the anchoring strength that ensures the all round growth and development of the State, which is inclusive. No other document than the Annual Budget can capture the modern economic history of the State authentically.

This compilation of 80 years of Odisha's budget is a humble effort to present the story in facts and figures. In fact, the compilation is not entirely about statistics and data. It gives scope to read the thought processes, the collective wisdom of the people expressed through their representatives, the legislature and the policy makers.

The challenges and the priorities of the initial years were entirely different from what they are today. A reasonably careful reading of this document will show how the Governments, the Legislature and the policy makers have responded to the changing times and the growing aspirations of the people of Odisha.

Odisha is a unique growth story and a perfect case study. Looking back is a learning experience. As the State looks forward with confidence to carve out its place in the fast changing world, I believe this document in hand, “80 Years of Odisha Budget: A Commemorative Volume” will help us to revisit the past, evaluate the paths taken and dream the road ahead.



R. Balakrishnan
Development Commissioner-cum-
Additional Chief Secretary



SATYA PAL MALIK
Governor, Odisha



Raj Bhavan
Bhubaneswar - 751008



MESSAGE

I am glad to know that the Finance Department, Government of Odisha is bringing out a commemorative volume on “80 Years of Odisha Budget” as a part of the celebrations to mark the creation of Odisha as a separate State. I congratulate Finance Department for this initiative and enthusiasm.

Time bears testimony to the long and glorious history of Odisha. The endeavours of the Odia leaders to unite the Odia speaking tracts bore fruit when Odisha became the first State to be formed on linguistic basis on 1st April 1936. From that gratifying event till date, the State has strived to respond spiritedly to the challenges it faced.

The State budgets mirror the Government’s earnestness to build the State into a space of uninhibited inclusive growth. It is fitting therefore, that the book traces the remarkable odyssey of the State through the lens of these budgets.

I hope that the book garners due appreciation for the dedicated work done to portray the beauty of Odisha’s magnificent past and promising future.

I wish the endeavour and publication all success.

A handwritten signature in blue ink that reads 'Satya Pal Malik'.

(Satya Pal Malik)

NAVEEN PATNAIK
Chief Minister, Odisha



State Secretariat
Bhubaneswar



MESSAGE

I am glad to know that the Finance Department, Government of Odisha is bringing out a volume on “80 Years of Odisha Budget” in commemoration of eighty years of Odisha’s existence as a separate province.

Odisha is truly the soul of incredible India. A fountainhead of rich cultural heritage, Odisha is rightly regarded as a land of myriad marvels. The State was formed during the British Rule due to relentless efforts of Odia leaders, who persistently strived for the creation of a separate State for uniting the Odia-speaking population. The journey which started with the creation of the State in 1936 to position Odisha as a modern developing State has been quite challenging as well as inspiring as the State faced tremendous resource constraints and severe natural calamities.

The Government remains committed to the welfare of the people of the State. The budgets of the past eighty years have embodied that sincerity of the Government. I hope that this volume will be successful in throwing significant light on the difficult path that the State has traversed to fulfill the aspirations of our people.

I extend my warm greetings to the entire team involved in publishing this volume. I hope that the book will be illuminating to everyone who wishes to learn more about the State of Odisha.

(Naveen Patnaik)

SHRI PRADIP KUMAR AMAT
SPEAKER
Odisha Legislative Assembly



सत्यमेव जयते

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MESSAGE

I extend my greetings and good wishes to the Finance Department, Government of Odisha for their endeavor of documenting the rich history of Odisha through the lens of the State Budgets. The book has captured the history of Odisha, evolution of budgetary system and highlights of eighty years of Odisha budgets and empirical analysis of State Finances since fiscal year 1936-37.

I am sure that the book will be valuable to anyone seeking to be familiar with the extraordinary and fascinating narrative of the creation of Odisha and its course of growth and development.

(Pradip Kumar Amat)

SHRI NARASINGHA MISHRA
Leader of Opposition
Odisha Legislative Assembly



सत्यमेव जयते

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MESSAGE

I am extremely delighted to learn that Government of Odisha is contemplating to publish a commemorative volume of 80 years of Odisha budget. Going through the script, I found it incredibly informative and insightful, tracing the genesis and evolution of financial sustainability/courses and principles of budget formulation particularly since the coming into force of the Government of India Act, 1935 and the creation of the state of Odisha.

Trends in economic growth/sectoral position, share and pattern of plan and non-plan expenditures discussed in it will be useful and handy for the planners, administrators as well as researchers. Specifically praiseworthy is the comparative analysis with other economies and incorporation of recent changes in budgetary process, sharing pattern and grant-in-aid by the Union Government under various Finance Commissions, the induction of the concept of FRBM, role of various constitutional committees in formulating, examining micro components of the budgets and finally scrutinising.

The team of researchers and administrators compiling the volume has undertaken an arduous and formidable task and completed it with flair and finesse. I thank them in their noble endeavour.

(Narasingha Mishra)

SHRI SHASHI BHUSAN BEHERA
MINISTER
Finance & Excise, Odisha



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MESSAGE

It gives me immense pleasure to learn that the Finance Department of Government of Odisha is bringing out a unique publication chronicling 80 years of Odisha Budget. This Commemorative Volume is reminiscent of our resplendent past in the evolution of budgetary process and financial administration. The splendid narrative of the formation of Odisha as a separate State further makes this document a brilliant masterpiece.

Replete with magnificent anecdotes, illustrations and pictorial representation of fiscal milestones, this monumental work will serve as a treasure trove for the scholars, researchers, academicians, administrators and policy makers.

I congratulate all those who have contributed their valuable time in this great endeavour.

I wish the publication all success.

(Shashi Bhusan Behera)

Acknowledgements

This Commemorative Volume is a humble tribute of the Finance Department, Government of Odisha on completion of eighty years of Odisha's formation as a separate state. The initiative is an obeisant account of the journey of Odisha through these eighty years. The book portrays not just the detailed analysis of the State budget for eighty years, but also chronicles the movement for the creation of separate province of Odisha, the budgetary system and inter-governmental fiscal transfer mechanism in India since the British rule and an empirical analysis of State finances since 1936-37. It is an outcome of the concerted efforts of a zealous team of individuals and organizations that helped carve it into reality.

The vision to bring out this book in commemoration of the 80 years of Odisha State came from R. Balakrishnan, IAS, Ex-Additional Chief Secretary, Finance and at present Development Commissioner-cum-Additional Chief Secretary. He conceptualized this challenging project; provided the driving force; propelled it patiently through various stages; and motivated the team. His innovative ideas and valuable insights inspired this project from the beginning till the end. He was instrumental in facilitating collection of facts, figures and documents from various Government Departments and the Legislative Assembly Secretariats of Odisha, Tamil Nadu and Madhya Pradesh. We express immense gratitude to him for his leadership and contributions.

We gratefully acknowledge enormous contributions of Prof. James Nye, Bibliographer for Southern Asia, Joseph Regenstein Library, Chicago University for making available valuable academic resources and archived documents without which this project would not have been possible. We also express our sincere thanks to Roja Muthiah Research Library, Chennai, Tamil Nadu for providing valuable inputs for the book.

We would like to acknowledge our deep appreciation for Shri Tuhin Kanta Pandey, IAS, Principal Secretary, Finance Department, for being an incessant source of encouragement. Drawn from his vast experience, his succinct and clear ideas have highly enriched the Commemorative Volume. His in-depth understanding of the subject and untiring support made compiling and drafting a remarkable learning experience for the members of the team. The book owes much to his invaluable guidance.

We would like to express our deep gratitude to Shri Ashok K. K. Meena, IAS, Special Secretary, Finance Department whose constant guidance, intellectual depth, scholastic cooperation, encouragement, suggestions and motivation helped us in successfully completing this Commemorative Volume.

We express our sincere thanks to Shri Debendra Kumar Jena, IAS, Additional Secretary for the remarkable fortitude shown by him in actively contributing to the onerous task of drafting the book and suggesting innovative ideas despite his busy engagements. His untiring diligence prodded us to deliver promptly.

We are thankful to the authorities at the Odisha State Legislative Assembly, Odisha State Archives, 'The Samaja' and 'The Prajatantra' – the leading Odia dailies – for their cooperation in providing necessary inputs, in the form of facts and images, for the book.

Our fervent gratitude to the Editorial Board under the Chairmanship of R. Balakrishnan, IAS, Development Commissioner-cum-Additional Chief Secretary and his team comprising Shri Tuhin Kanta Pandey, IAS, Principal Secretary, Finance Department; Shri Ashok K. K. Meena, IAS, Special Secretary, Finance Department; Shri Manoranjan Panigrahi, IRS, Commissioner-cum-Secretary,

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We also express our sincere thanks to Shri Prafulla Kumar Rout, Additional Secretary, Finance Department; Shri Pradipta Kumar Nanda, Additional Secretary, Finance Department; Shri Sarat Mohapatra, FA-cum-Additional Secretary, Agriculture Department; Shri Rupa Narayan Das, Joint Secretary, Finance Department and Shri Devipriya Biswal, Deputy Secretary, Finance Department who have rendered their valuable services as and when required.

We also thank the Section Officer and Staff of Budget-I Branch of Finance Department for their timely support.

We are grateful to Prof. Atul Chandra Pradhan, Shri Sunil Kumar Patnaik, Shri Himansu Narayan Pattnaik, Shri Shiba Prasad Pattnaik, Dr. Bijaya Kumar Rath and Shri Rabindra Kumar Swain for their generous support and cooperation.

The project could not have wished for a better designer than the Third Eye Communications. The experience and creativity of Shri Jyoti Ranjan Swain was of great benefit in the design and production of the

book. We are also thankful to his team at Third Eye Communications that worked together with us in production the book under the time constraints.

The chapters of this commemorative volume went through peer review. For their help with the review process, we thank Fr. S. Antony Raj, S. J. and Shri Hara Prasad Nayak, IRAS. Despite numerous other commitments, they readily agreed to contribute to this volume and were exceptionally patient with the many subsequent proof readings relating to the chapters. Their editing prowess has been instrumental in drafting the book.

The Centre for Excellence in Fiscal Policy and Taxation (CEFT) has provided valuable perspectives to the book. The team of researchers – Ms. Avipsa Mohanty, Shri Binaya Ranjan Das, Shri Bibhuti Ranjan Mishra, Shri Purnendu Pujapanda, Shri Satyendra Kumar, Shri Suresh Kumar Patra under the exceptionally competent leadership of Prof. Asit Mohanty, Chair Professor –provided an outstanding and indefatigable resource in researching, analyzing, drafting, revising and editing. We are immensely grateful to them for their agility, perseverance, and readiness to work collectively till the very end.

Finally, we thank everyone, who has contributed to the success of this project, but whose name we may have unintentionally omitted to mention.

**Finance Department
Government of Odisha**

Preface



The book “80 Years of Odisha^a Budget: A Commemorative Volume” is a Government of Odisha publication which documents the key points of eighty budgets presented after the formation of the State on 1st April 1936. The Volume provides a glimpse into the rich history of Odisha - ancient, medieval, modern and contemporary - and presents a record of its changing socio-economic, political and cultural landscape.

It is organized into five chapters. The chapters are: 1) Movement for the Creation of the Separate Province of Odisha, 2) Evolution of the Budget System & Inter-Governmental Fiscal Transfer System in India during British Rule, 3) A Study of Eighty Years of Odisha Budget, 4) Empirical Analysis of State Finance and 5) Way Forward.

Chapter One records the history of Odisha and makes an analysis of the series of events that led to the formation of Odisha as a separate province. Chapter Two details the system of public finance in India dating back to the pre-British era. This chapter deals with the evolution of the Budgetary System, the Budgetary Process, the Review & Control Mechanism, Fiscal Devolution and Fiscal Sustainability in India. Chapter Three delves into the process of preparation of budget in Odisha and provides a snapshot of the eighty years of budget in Odisha. Chapter Four makes an empirical analysis of Odisha’s financial position during the 80 year period. Chapter Five is the concluding chapter which embodies the vision and mission of the Government of Odisha to transform the State into an epitome

^a The name of the State was changed from Orissa to Odisha, and the name of its language from Oriya to Odia, in 2011, by the passage of the Odisha (*Alteration of Name*) Bill, 2010 and the Constitution (113th Amendment) Bill, 2010 in the Parliament. After a brief debate, the lower house, Lok Sabha, passed the bill and the amendment on 9th November 2010. On 24th March 2011, Rajya Sabha, the upper house of Parliament, also passed the bill and the amendment. “Orissa” and “Odisha” have been used interchangeably across the Volume.

of sustainable development through an inclusive growth process so that all the sections of the society get an opportunity to realize their full potential for growth and development by 2036, when Odisha completes a hundred years of its formation.

The modern-day 'Odisha' (formerly known as "Orissa"), was carved into a separate State on 1st April 1936. Chapter One presents the series of rich historical events which have shaped the very foundation of the modern Odisha. The illustrious chronicle of events that heralded the formation of the State speak volumes about the resilient nature of the people of Odisha. It bears testimony to the tough and tumultuous path that the State embarked on, in pursuit of preserving and upholding its distinct linguistic identity.

In 1568, upon the defeat and death of the last Hindu King Mukunda Harichandan Dev in the battlefield of Gohira Tikiri, the State lost its complete independence. Thereafter, a period of political turmoil and territorial dissection ensued. The State was ruled over by many Muslim, Mughal and Maratha emperors before being passed into the hands of the British East India Company in 1803. The British occupation brought in gross administrative mismanagement, negligence and higher taxation. Coupled with the corrupt British officials proving a drain on the resources, the tenor led to grave economic devastation in the state.

Further, the 'Paika Rebellion' that erupted in Khurda in 1817 posed a serious setback to the British rule in the State. An infuriated British force pledged to decimate the valiant Odia people. Swiftly,

the coastal belt of the State was annexed with the Bengal Presidency and the western part with the Central Provinces. The southern part had already been included in the Madras Presidency by 1776.

This dismemberment of the Odia speaking people and the artificial administrative arrangements thereof occasioned disastrous results. Odias were subjected to humiliation-cultural, administrative and socio-economical. Together with the loss of their national unity, the events led to the complete neglect of Odia as a language. The Odia speaking population became a minority in all the three provinces, Bengal, Madras and Central Provinces.

Thereafter, the infamous 'Na Anka' famine of 1866 ravaged Odisha. The monsoons in the 1865 had been decidedly inadequate. The rice-crop of the winter season, crucial for the population's sustenance, failed to match the need. The Bengal Board of Revenue failed to make proper estimates of the people who would require help and it was also misled by spurious price lists. Consequently, the food reserves dwindled. Before help could reach the needy, the monsoons of 1866 set in creating a hindrance in shipping of food to the isolated Odisha of that time. An estimated one-third of the population of Odisha succumbed to the famine of 1866.

This calamitous famine, though one of the biggest blots on the history of Odisha, forced the British to pay attention towards the development of Odisha, until then an ignored territory. The more noteworthy consequence of the Na Anka famine was the rise of a new consciousness that ignited the imperativeness of regeneration of the State in the minds of the emerging generation. The circumstances were to remain grim no longer.

The latter half of the nineteenth century brought about a radical metamorphosis. This profound shift in socio-political environment was due to the spread of English education and publication of Odia Newspapers. This marked the dawn of a new intellectual Odia society that strived hard for the overall advancement of Odisha and its citizenry. Education had long been disregarded in the State. The introduction of English helped shape the thoughts of the

common men, who would go on to pioneer the Odia renaissance. Utkal Gourab Madhusudan Das was a distinguished product of this transformation. His ideas about reclamation of the State and his undying resolve put him in the forefront of the making of Odisha. Soon he and his contemporaries engaged in voicing their demand for the unification of the Odia-speaking areas to safeguard the interests of Odias, preserve and develop the Odia language and culture.

Therefore, the demand for a separate state was set out in the background of the Bengali and Telugu speaking tracts claiming linguistic superiority over the Odia people. But the richness of the Odia vocabulary refused to accept defeat. The Orissa Mission Press set up in 1838, the Orissa Association set up by Shri Madhusudan Das in 1882 and various other publishing houses with their publications were precursors of the rising Odia consciousness that was rife in the air. The great writers of the day, Radhanath Ray, Biswanath Kar, Gangadhar Meher, Ramasankar Roy and Nandakishore Bala shaped the new resurgent consciousness extensively. A plethora of socio-cultural organizations surfaced over this period. As a growing consensus stemming from their debates and deliberations, the carving of a new state was imperative.

Hence, realizing the urgent need for a separate state as well as to solve the problems of the Odias, Utkal Sammilani, an organization was set up in 1903 by Shri Madhusudan Das. The Utkal Sammilani shaped the Odia nationalism markedly through various seminars, symposiums, youth sessions and general meetings. The idea of uniting all the dismembered Odia speaking population gained ground. As the nation was readying itself for the final war for freeing itself from the clutches of British rulers, Odia leaders through diplomatic conversations were pushing for the creation of a separate state for the Odia speaking population. A series of administrative committees and government resolutions were enacted.

An in-depth account of the journey of the Movement for the Creation of the Separate Province of Odisha is dealt in Chapter One which elaborately traces the odyssey of the State, from the earliest available narrative on the administration of the Odia speaking areas,

through the birth of a political awakening among the Odia speaking population and their demand for a separate state on linguistic basis. It also speaks intensively about the imminent personalities and illustrious institutions that were instrumental in the process. It is an ode to the tenacious Odia people, whose steadfastness transformed the dreams of the dismembered Odia population of living in a state of their own into a reality.

The Odisha of those times was ruled by a series of valiant kings whose stories of valor and glory are etched in the annals of Indian history. When the Maratha kingdom lost ground to the British in 1803, Odisha came to be ruled by the British. Thereafter, the tension between the Odia population and the British administrators refused to die down. The famine of 1866 added fuel to the fire. As a significant number of the population perished in the famine, the inept system of colonial administration reared its ugly head. The Odias began to deliberate on a better future for themselves and their motherland. The first radical step forward would be, they thought, to bring together the areas where the Odia population lived in majority, under a single administrative unit. Previously, the Odia-speaking population had been divided and appended to other provinces in terms of geographical contiguity for the convenience of British Administration. This had resulted in a loss of identity and a feeling of inferiority for the Odia population. They constituted a minority population in the provinces they had been annexed with. The dispiritedness was rife and the suffering brought them together with an eagerness to fight for the cause they felt so deeply rooted to - their motherland.

A sudden abundance of voices, views and opinions of the Odia middle classes came to the fore. These ideas formed the essence of the journals and periodicals of the time – Utkal Dipika, Sambalpur Hiteisini and the like. Soon, the demand for amalgamation of Odia-speaking tracts took the form of submitting representations to the Government. Utkal Gaurab Madhusudan Das, Bishwanath Kar, Nanda Kishore Bal, Shyamasundar Rajguru and Gopal Chandra Praharaj were the frontrunners of the movement.

By the beginning of 20th century, the demand for a separate province for the Odia-speaking people had gained momentum. Thereafter, Lord Curzon, acceding to the demands of the time, prepared a scheme of territorial adjustment in the country outlined, in the famous Risley Circular and sent that to the Government of Bengal in 1903. His scheme was partially implemented in the year 1905 with certain Odia tracts being brought together. However, it was in 1911 that Lord Hardinge formulated a comprehensive scheme of territorial readjustment by considering the initiative of Lord Crewe, the Secretary of State for India. The proposal recommended the revocation of the partition of Bengal and the creation of a new province of Bihar and Orissa. The new Province of Bihar and Orissa was inaugurated on 1st April 1912. This decision of creating the Bihar and Orissa province excluding certain Odia-speaking regions was barely welcomed by the people of Odisha. They agitated against it.

To look into the possibility of formation of a separate State, the constitution of the Philip-Duff Committee of 1924, the sub-committee formed by the Simon Commission with C.R. Atlee as the chairman, the Boundary Commission under Samuel O' Donnell, and finally the select committee under the leadership of Lord Linlithgow paved the way for creation of a separate province. Meanwhile, various leaders had voiced their claims for creation of a separate province of Orissa in the Round Table Conferences. Consequently, at the Third Round Table Conference Sir Samuel Hoare, the Secretary of State for India announced in London that Orissa would be constituted into a separate province. The Government of India Order (Constitution of Orissa), 1936 was issued at the Court at Buckingham Palace on 3rd March 1936. At last, the long-cherished dream of the Odia-speaking people came to be translated into concrete reality when the Province of Orissa was constituted bringing together tracts lying in Bihar and Orissa, the Central Provinces and Madras Presidency. Twenty six number of princely states remained outside the province, only to accede to it in due course of time.

After centuries of separation, the Odia population was finally going to be reunited. The undying spirit and diligence of the many

distinguished Odia leaders like Utkal Gourab Madhusudan Das, Maharaja Krushna Chandra Gajapati, Pandit Nilakantha Das, Bhubanananda Das and many others metamorphosed into the creation of the separate province – Orissa on 1st April 1936.

Orissa was the first State to be formed on linguistic basis. The newly formed Orissa had six districts with its capital in Cuttack. Sir John Austen Hubback took the oath of the office to become the first Governor of Orissa Province. The first budget was presented on 8th May 1936 by the Chief Secretary Mr. P. T. Mansfield at the Puri Town Hall. The first elected Government was formed in July, 1937. The Orissa Advisory Council was constituted to help the Governor in matters of administration of the State. Thus, a long tumultuous endeavor of creating the separate province laid the strong foundation on which the modern Odisha State of today is built. Since the formation of Orissa as a separate province, eighty budgets have been framed till FY 2015-16.

Before going through the eighty years of the Odisha Budget, it is imperative to trace the roots of financial administration in Odisha and India. Chapter Two takes a detour of the history of the fiscal governance system in India. The system of public finance in India has a rich history that dates back to the pre-British era. When the separate province of Odisha was created, India was still under the British Rule. It is, therefore, pertinent to sketch the background of the developments in financial administration during the British rule. The series of changes in the financial administration and systems that were introduced by the British are stimulating and thought-provoking. Some traditions stayed, some faded away. An attempt has been made to delve into the financial administration systems and processes prevalent during the rule of British East India Company till the British Crown took over following the extraordinary events leading to the introduction of 'Budget' in India which laid the foundation of present day public financial management system. The financial system of a country alludes to its general economic condition. The financial system in India has undergone great transformation through the years. The chapter presents the evolution

of the Budgetary System, the Budgetary Process, and the Review & Control Mechanism.

The Evolution of the Budgetary System and Inter-Governmental Fiscal Transfer Mechanism in India since the British Rule, begins with a brief account of financial administration from classical literature covering old ancient kingdoms. A comprehensive analysis of financial administration starting with the British Rule in India is dealt with. It traces the financial system existing during the East India Company's Rule in India. The Regulating Act of 1773, the Pitts India Act of 1784 and finally, the Charter Act of 1833 laid down a centralized system of Imperial Finance in the country. The Imperial System of Finance pronounced the Governor-in-Council of the Bengal Presidency as the Governor-General in Council of British India. He was to supervise the administration of the other provinces. The revenues of India were treated as a whole and these revenues were paid into the treasuries all over the country to the credit of the Governor-General in Council. His authority was supreme and the provincial governments only acted as the agents of this supreme authority. The highly centralized system ran into several difficulties as a consequence of which the finances of the country were in the red.

Later, as the unrest or the so called 'sepoy mutiny' in the country grew out of bounds, the Crown took over administration of the British Indian territory in 1858, and instituted various reforms to strengthen the financial administration in British India. The Budget System in India, a consequence of these reforms, was introduced by the first Finance Member of Governor General's Council, James Wilson in 1860. However, in spite of the various interventions to improve the Indian Financial Administration system, Indians were largely kept away from the financial matters. The financial centralization resulted in frequent conflict between the Central Government and the provinces. As a consequence, a system of Federal Finance was deliberated as an alternative. Nevertheless the apprehensions of the change-over loomed large over both the proponents of the imperial system and the supporters of the federal system. Successive finance members however acknowledged that devolving responsibility to

provinces would help economizing expenditures, and would check the extravagance of the provincial governments, inducing efficiency in their administration.

After great reluctance shown by his predecessors, it was Lord Mayo who in his celebrated Resolution of 14th December 1870 initiated the first successful measure of decentralization. This system heralded the commencement of Provincial Budgets. Consequently, the provinces were required to frame local budgets through the System of Budget by Assignments initially, and Budget by Assigned Revenues and Budget by Shared Revenues later. The evolution in the system progressed as the degree of decentralization increased. In due course of time, several reforms were effected like the Quasi-permanent Settlements, Morley-Minto Reforms, the Permanent Settlements, and Diarchy through both the Government of India Act 1919 and the Government of India Act 1935. These reforms portray the gradual shift to the introduction of a system of Federal Finance in the country. Further in this chapter, the systematization of budgetary process and the institution of the office of Auditor General to carry out Accounts and Audit functions and various other Parliamentary Committees have been briefly described. The Chapter describes the transformation of the system of finance over the years thereafter. It presents the gist of various committee reports and Government of India Acts that have greatly shaped the financial system that we have today. The legal and institutional framework of budget during the British period is also analyzed.

Further, a detailed timeline description of the budgetary processes of the British era and the steady transformation brought by Sir Otto Niemeyer's Financial Devolution, the Finance Commissions, and the Financial Emergencies are outlined. In addition to that, Centre-State relations, the evolution and abolition of the Planning Commission and finally the emergence of the NITI Aayog of the present day are dealt with.

In the present times, the states have gained greater degree of independence in charting their own path to development. They are required to wisely manage their scarce resources without

compromising on the creation of social and economic infrastructure. This basic tenet brings to fore the need for exercising fiscal rules and foresight, towards ensuring fiscal sustainability.

These milestones, the systematization of the Budgetary Process over the years, are a testimony to the continuous, profound and progressive changes that shaped a robust mechanism for ensuring the efficient use of the public money for the intended purposes. The Government of India Act 1935 and, the Budget Control System & the Review of Control prevalent in the British India provides the foundation for the Budgetary Process and Financial Administration delineated in the Indian Constitution.

The evolution of the financial administration and budgetary processes in India has molded the way the State conducts these processes. Therefore, it is pertinent to first familiarize ourselves with the former, to be appreciative of the latter. The salient features of Odisha's financial administration and budgetary process are discussed thereafter, which will help in reviewing the eighty years' budgets that follow suit.

Chapter Three encompasses a snapshot of the 80 Years of Odisha Budget since 1936. It briefly analyses eighty budgets of Odisha from the time it was carved into a separate province. In 1936, India was still struggling for its independence. Hence, the description begins with the identification of the budgetary process in Odisha under British rule and thereafter delves into the main snapshots of the evolution in the later phase.

As defined in Section I of Chapter III, the word 'budget' is derived from the French word 'bougette', meaning a small leather bag or wallet. The word was first used in 1733 in connection with Walpole's financial scheme in a satire titled 'The Budget Opened'. Walpole was represented in this pamphlet as a conjuror, the budget being his wallet or bag of tricks. Since then the English newspapers publish photographs of the Chancellor of the Exchequer with an attaché case in his hand containing his financial proposals, while going to the House of Commons to deliver his Budget Speech on the Budget Day.

The cliché, 'Opening the Budget', is now the accepted Parliamentary phraseology. Subsequently, the meaning of the word 'budget' has changed from the bag to the documents of the financial proposals, which the Chancellor of the Exchequer presents before the United Kingdom Parliament annually.

The word 'Budget' is not mentioned in the Indian Constitution. Instead, the term 'Annual Financial Statement' is used, which extends the scope and implication of the Budget. Article 112(1) of the Constitution of India states "The President shall in respect of every financial year cause to be laid before both the Houses of Parliament a statement of the estimated receipts and expenditure of the Government of India for that year, in this part referred to as the Annual Financial Statement".

The practice of public finance manifests an inalienable relationship between administration and finance. The revenue receipts of the Governments are garnered through the State administrative apparatus, and all the expenditures of administrative activities in turn are met from the revenues. Admittedly, the budget being an important equipment of financial administration involves large number of policy implications and fiscal decisions. Apart from the financial control, the main objective of preparing a budget is the enforcement of economy.

The erstwhile budgetary process which was shrouded in mystery and secrecy is gradually turning more participative and open. The Participatory Budget Initiative of 2016-17 and the introduction of integrated Financial Management System (iFMS) are symbolic of this shift. The doing away of the 'Plan' and 'Non-Plan' classification, Outcome Budgeting, Convergence and Gender Responsive Budgeting are the key ideas that have lately driven the reforms of the budgetary processes. These ideas help us bear in our minds the progressive nature of financial administration's history in the State.

A succinct account of the eighty budgets presented since 1936 has been made. The budgets portray the commitment of the government to take

the State on the path of development. The major budget highlights of every year and the major events coinciding therein are elaborated. Besides, the various schemes and policies adopted by the successive governments are illustrated. The description traces the journey of the State through the initial phase of turbulent reconstruction of the State to the relatively stable times of the present day.

Over the span of these eighty years, the endeavor of the State has been to reach new heights and ensure that the benefits flowing from progress accrue to people at large, especially to the poor and marginalized. A multitude of schemes, policies and plans extending over various sectors, have been taken up at one point or the other or simultaneously to ensure that the process of development is never static. Through investment in agriculture, industrial development, alleviating poverty and eliminating illiteracy through quality education, affordable health care facility and social security for all, the quest for improving the quality of life of the people in general and the vulnerable sections of the society in particular has been commendable.

The journey thus far has been magnificent. However, the journey ahead poses development challenges as well as opportunities as the aspirations of people keep rising. The budget embodies the socio-political and economic policy priorities and fiscal targets of the government. Budgetary Policy is not an end in itself. It must sub-serve the ends of State's socio – economic priorities. Before we look into the Way Forward in the concluding chapter, Chapter Four delves a little deeper into ascertaining the bearing that these budgets have had on the economy of the State in the 'Empirical Analysis of State Finance since FY 1936-37'.

The budgetary exercise of the State has a great bearing on its economic activities and fiscal stability. In order to realize the extent to which the eighty years of budget have influenced the economy of Odisha, a comprehensive account of the financial position of the State is evaluated since 1936-37. The financial position of the State since its formation is evaluated during the Pre-Plan Period covering five

periods - Pre-War Period (1936-37 to 1938-39), War Period (1939-40 to 1945-46), Post War Period before Integration (1946-47 to 1948-49), Post Integration and Pre-Plan Period (1949-50 to 1950-51).

The dismal state of finances in the pre-war period traces back to the inability of the State to harness its resources for financing public expenditure. Inevitably, abject poverty was the truth of the day. Even in the Bihar and Orissa Province, the Orissa part was relatively underdeveloped and poorer. Owing to this pitiful state of finances, the State was exempted from contributing towards the Meston Settlement. Further, the Niemeyer Committee granted a subvention to the State to make ends meet. Inadequate revenue generation weighed heavily on the State. Later, in the post war period the revenue generation improved. However, it fell short of the rapidly increasing expenditures. In the post-integration period, the State continued to be in the red with one of the lowest per-capita incomes in the country. Further, the administrative responsibility of the additional princely states also entailed greater expenditure. If wartime developments had made the relative financial position of Odisha worse, the merger of the small States dragged her finances down still lower.

Thereafter, the financial position of the State over the Plan Periods is examined. A set of fiscal parameters are compiled to portray the financial health of the State. It also encompasses the journey of the State's Gross State Domestic Product (GSDP) and the change in the structure of the State economy over the years.

It is an elaborate account of the trends in the compound annual growth rate of the GSDP and the sectoral composition of the GSDP. Taking cognizance of the importance of adhering to the roadmap of fiscal consolidation and macroeconomic stabilization, the compilation of the trends in the revenue receipts, expenditures, capital outlays, plan and non-plan expenditures and the key deficit indicators have been made in order to depict the trajectory of State Finance in the post Plan Period. An elaborate account of Odisha's fiscal consolidation process has been delineated. The fiscal scenario in the State before

and after the enactment of the Fiscal Responsibility and Budget Management (FRBM) Act has been sketched out with a key note on the aspect of debt sustainability.

The efforts of the State in the past and its intent of moving to a higher level of development in the future have been captured. The Chapter reflects the essence of the State expenditure in creating positive externalities and providing public services.

Having analyzed the history of the State Finances, we move on to its future to provide a glimpse of the Way Forward in the fast changing dynamics of public finance. We explore the areas in the budgetary framework where change is imminent in the near future. We put forth a vision for 2036, the year that marks the completion of a hundred years of the formation of the State.

The Way Forward in Chapter Five is a harbinger of the times to come. It portrays the aspirations of the Odisha of tomorrow. It paints a picture of the Odisha of 2036 when Odisha would complete one hundred years of its Statehood. The journey to 2036 would see considerable transformation in the economy and institutions. The Way Forward is a vision. It does not just confine itself to the budgetary side, but is a 360 degree analysis of the changes – economic and social – that need to come through for defining a better Odisha of tomorrow. To accomplish this vision, there is a need for garnering physical, human and intellectual resources.

The road map encompasses provision of basic necessities for all on non-negotiable basis. The State recognizes the importance of sustainable agriculture, access to health care, well-being, happiness at all ages of life, access to equitable, affordable and quality education, sustainable production and consumption systems, access to affordable, reliable and sustainable energy, gender equality and empowerment of women and girls, political empowerment and entitlement and the development of resilient infrastructure to promote inclusive and sustainable growth with the creation of adequate employment opportunities.

Further, the State acknowledges the imminent potential of entrepreneurship in contributing significantly towards employment generation and growth. In recent times, the State has endeavored to provide environment conducive to the Start-ups, through a variety of policy interventions.

Agriculture continues to remain the backbone of rural livelihood. The State endeavors to achieve food security and agricultural diversity on a sustainable basis through a multitude of measures. Odisha is among few States preparing a separate Agriculture Budget. To ensure a farmer-centric development, the State has formed a separate 'Agriculture Cabinet Committee'. Towards that end, the Agriculture Department has been renamed as Department of Agriculture and Farmers' Empowerment. The underlying effort is to reduce drought vulnerability as well as increase farm incomes and farmers' welfare making agriculture a profitable enterprise for the farming community.

Tying up the development of the economic sector along with that of the social sector with greater emphasis on the quality of expenditures, the State endeavors to reap the most out of its investments through the convergence of all plans and policies. Taking into account the imperatives of rapid urbanization, the importance of an inclusive and sustainable approach to urban development has been well-recognized.

The budgetary processes are steadily moving towards an open budgeting regime. These changes inspire transparency and accountability. The Participatory Budget Initiative and the Budget Consultation Meetings have encouraged public participation, strengthening the democratic machinery. The State aspires to gradually change over to a Multi-Year Expenditure Framework and a more robust outcome budgeting. This would ensure greater efficiency and effectiveness in public expenditure management.

Evidently, a solid foundation has been laid for the development of the human and natural resources, physical and social infrastructures and institutional frameworks. Keeping in view the aspirations of people of Odisha, there will be a constant endeavor on the part of all stakeholders to strive together to achieve a higher trajectory of economic and social development on a sustainable basis.



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Government of Odisha

CHAPTER **1**

Movement for the Creation of Separate Province of Odisha





Sun Temple of Konark



Ashok Edict at Jaugada



Remains of Pillars of Sisupalgarh



Ranpur Palace

Introduction

Situated on the eastern seaboard of India along the Bay of Bengal, Odisha stands as a land of incredible beauty and rich natural resources. This entranced land is distinguished by its ancient glory and rich history. Endowed with nature's bounty - a 480 km long coastline, virgin beaches, meandering rivers, mighty waterfalls, forest-clad blue hills of the Eastern Ghats rich in wildlife and huge deposits of coal, iron ore, bauxite and other minerals - the State is dotted with exquisite temples, historic monuments as well as outstanding examples of modern engineering. Its lush green countryside and fertile plains, tiny hamlets fringed with palm and coconut trees and mango groves add to its natural beauty. With a cluster of magnificent temples dominating the skyline of Bhubaneswar, the temple of Lord Jagannath soaring into the Puri sky and the magnificent Sun Temple at Konark providing the timeless tale of performing art, Odisha is truly the soul of incredible India.

This beautiful land has been witness to the growth of a great civilization and culture over the ages. Prehistoric implements recovered from Kuliana, Khiching, Baidipur, Dunria, Pallahara, Talcher, Champua and many more places in Orissa bear great resemblance with those recovered from Chakradharpur, Chaibasa, Ranchi and Manbhum in Jharkhand. Geographically, the hills and forests of north-western Orissa, Chhatisgarh and Jharkhand were intimately interlinked in the prehistoric period and even today, they form a single unit. Prehistoric sites have also been discovered at Mathurapura, Udayagiri hills, Golabai, Ranpur, Suabarei and Jaugada. The recovery of the tools and implements made out of big chunks of rock dug out of gravel pits or made of copper, point to the existence of early human habitations in these areas.¹ Presence of prehistoric paintings in rock shelters and caves of Sundargarh, Jharsuguda, Sambalpur, Angul, Cuttack and Khurda districts further attest to the presence of early man in Orissa.



Udayagiri Hills

¹ S. K. Patra and B. Patra, "Archaeology and the Maritime History of Ancient Orissa". *The Orissa Historical Research Journal*, Vol. XLVII, No. 2, 2004, pp. 107-118.

History

The recorded history of Orissa spans more than two thousand years. Its geographical location has shaped its history and influenced its culture in significant ways. Orissa has always maintained direct contact with the coastal regions of eastern and southern India. The Mahanadi valley, which stretches from the west to east, has also helped it establish contact with Central India and Magadh, the centre of the early Mauryan Empire from the fourth to the second century BC, and the Gupta Empire from the fourth to the sixth century AD. A meeting point of the cultures of north, south and east, Orissa has been able to assimilate the influences from different parts of the country in the course of its long and eventful history. The serene life of the tribes inhabiting its hilly terrain has also lent a rich vibrancy to its culture.

The region now called Orissa was known under various names in ancient times, the most prominent of which were Kalinga, Utkal, Odra, Kangoda and Kosala.² Sea ports flourished along its coast in olden days and *sadhabs*, the seafaring Orissan merchants, sailed to the distant islands of Java, Sumatra, Borneo and Bali carrying their merchandise. Not only did they bring home wealth and prosperity, they also helped disseminate Indian culture in countries abroad. In ancient times people of the land had established contacts with several kingdoms in South East Asia. Kalinga made a mark in the annals of Indian history when Ashoka the Great invaded it in 261 BC, defeated its mighty army and conquered the land. However, the appalling bloodshed that preceded Ashoka's victory in the Kalinga war moved him deeply and brought about a change of heart. Chandashoka (Ashoka the Terrible) became Dharmashoka (Ashoka the Pious). He embraced Buddhism and spread the message of peace and goodwill for the rest of his life. The two

Rock Edicts at Dhauli and Jaugada

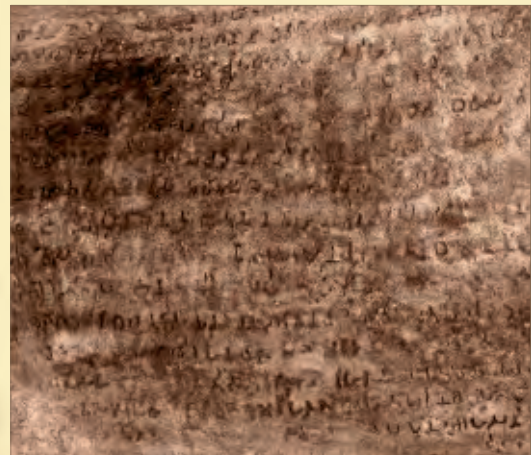


² S. N. Sen, *Ancient Indian History and Civilization* (Second Edition). New Delhi: New Age International (P) Limited, Publishers, 1999, p. 430.

special Rock Edicts at Dhauli and Jaugada throw light on Ashoka's benevolent administration in Kalinga.

After the death of Ashoka, Kalinga reasserted its independence and emerged as a powerful empire. The Kalingan Empire reached the pinnacle of glory during the reign of Emperor Kharavela, who bore the title *Mahameghavahan Aira Kharavela*. The inscription on Hati Gumpha (Elephant Cave) on the Udayagiri hill in Bhubaneswar vividly record the story of his glorious and eventful reign. However, this memorable era was followed by what historians call a 'dark period', during which Orissa seems to have been broken up into a number of small princedoms.³ Notable among the minor dynasties are the Vigraphas and the Matharas. The Matharas concentrated their rule on the Paralakhemidi (present Parlakhemundi) and Ganjam area and extended it from river Krishna in the south to river Mahanadi in the north during the period from AD 350 to AD 500. However, little is known about them.

*Inscriptions on Hati Gumpha
Udayagiri hills*



³ T. Bhoi, "A Study of Jain Activity in Western Orissa (From c.B.C. 200-600 A.D.)." *The Orissa Historical Research Journal*, Vol. XLVII, No. 1, 2004, p. 131.

The Sailodbhava dynasty set up the first important kingdom in Orissa. As the name—saila-ud-bhava—indicates, the dynasty seems to have evolved from a tribal mountain principedom. The kingdom, which was called Kangoda and comprised parts of modern south Orissa and north Andhra Pradesh, seems to have been set up in the sixth or seventh century AD. It became firmly established in the south and central Orissa in the seventh century. Yuan Chwang, the Chinese traveler, who travelled to Orissa in AD 637, has left a detailed description of Odra, Kangoda and Kalinga.⁴ In Odra, the northern part of Orissa extending up to the Mahanadi delta in the south, several hundred Buddhist monasteries having 10,000 monks and several stupas seem to have been in existence at the time. Yuan Chwang makes a particular mention of Puspagiri, which later historians have identified as Ratnagiri. The second place of Buddhist importance mentioned by the Chinese traveler is Che-li-ta-lo, which served as a resting place for seafaring traders.⁵



*Monasteries in Ratnagiri
and Lalitagiri*

In the early eighth century AD, the Bhaumakaras laid the foundation of a large kingdom in Orissa with Jajpur-on-Baitarani as their capital. For the first time in history north Orissa was united with central and south Orissa and with regions in the middle reaches of the Mahanadi valley. Monasteries in Ratnagiri, Lalitagiri and Udayagiri bear eloquent testimony to the encouragement and support they extended to Buddhism. The Bhaumakaras were succeeded by the Somavamsi

⁴ T. Watters M. R. A. S., *On Yuan Chwang's Travels in India* (Vol. II). London: Royal Asiatic Society, 1905.

⁵ S. K. Patnaik, *Taksasila to Toshali: Trade and Urbanization in Early Odisha*. Delhi: Pratibha Prakashan, 2017, pp. 115-127. Delhi, 2017, pp. 115-127.



Lingaraj Temple, Bhubaneswar, 1928

kings (kings belonging to the Lunar dynasty) when Buddhism lost its influence and Jajpur emerged as a center of Brahminism. As per legend, the Somavamsi King Yajati Keshari performed the historic Dasasvamedha Yajna in Jajpur in the tenth century. Another famous king of the dynasty named Yajati II built the Lingaraja Temple in Bhubaneswar in the eleventh century. According to the legend, King Nrupa Keshari built Cuttack as a military cantonment in AD 989 and King Marakat Keshari got the stone revetment constructed on the left bank of the Kathajodi in 1006.⁶ During the rule of the Kesharis, the western parts of Orissa came to be united with the coastal region. In the eleventh century the Ganga dynasty gained ground in south Orissa and the Pala dynasty in Bengal grew in strength. This led to a gradual erosion of the authority of the Somavamsi kings.

Though some portion of Kosala came under Chola and Ganga rule, interestingly, there was a movement by the people to form a Government on the basis of election. Eight prominent people called 'Mulliks' used to conduct the Government in central part of Kosala (1100-1200). Subsequently, the Chouhan dynasty established a kingdom with Patna as headquarter.



Barabati Fort, Cuttack

Anantavarman Chodagangadeva's conquest of Orissa in around 1112 laid the foundation of the Ganga Empire. The illustrious Ganga kings extended their empire from the Ganges to the Godavari and ruled Orissa uninterruptedly for nearly three hundred and fifty years. Chodagangadeva built the monumental Jagannatha temple in Puri. It was Anangabhimadeva III (1211-39), who worshipped

Lord Jagannatha as his own supreme God (*istadeva*) and recognized the Lord as the supreme king of the Orissan Empire, and regarded himself as the Lord's earthly representative (*Rauta*). He established his capital at Abhinava Varanasi Kataka (or Cuttack) and built the fort of Barabati in around 1229. Cuttack attained glory during the rule of the imperial Gangas.⁷

⁶ S. R. Nema, *Political History of the Soma-vamsi Kings of South Kosala and Orissa* (First Edition). New Delhi: Oriental Publishers & Distributors, 1978.

⁷ P. K. Mishra and J. K. Samal, (ed.), *Comprehensive History and Culture of Orissa*. New Delhi: Kaveri Books, 2010, p. 311.



Ratha Yatra at Puri in the Year 1928



Celebration of Rath Yatra in the Year 2015

The title 'Gajapati' (lord of the elephants) was first borne by Anangabhimadeva's son Narasimhadeva I. In the centuries that followed this became the principal title of the kings of Orissa. Narasimhadeva I was one of the few Hindu rulers in this period of history who gave up a defensive attitude to the Muslim overlords of North India and launched attacks far into Bengal. He got the famous Sun Temple built at Konark around 1250.⁸

Since the successors of Narasimhadeva were weak, the kingdom of Orissa gradually shrank to its old nucleus. In 1360-61, the powerful Sultan of Delhi, Firoz Shah Tughluq forced his way to Central Orissa with a small but efficient army and defeated the Ganga King Bhanudeva III. He let loose a rampage of vandalism, looting and destruction. King Bhanudeva was compelled to buy peace by paying tribute, but the obligation to do so was a nominal one and was imposed only for a brief period.

In 1435, Kapilendradeva, the army chief, seized power, probably after the death of King Bhanudeva IV, and founded the short-lived but powerful Suryavamsa (Solar dynasty), which became famous as the Gajapati dynasty. Under Kapilendradeva, who was a capable military leader and shrewd ruler, the armies of Orissa advanced successfully as far as Bengal in the north and well beyond Madras into the region of Tiruchirappalli in the south. The King assumed the title *Birashri Gajapati Gaudesvar Navakoti Karnnata Kalabargesvar* (the great hero, the lord of elephants and the lord of Gauda, Navakoti Karnnata and Kalabarga). Orissa thus emerged as a mighty Hindu kingdom.

During the reign of Kapilendradeva's son, Purustottamadeva (1467-1497), Orissa suffered grave setbacks in the south at the hands of the Bahmani Sultanate and the Vijayanagara Empire.⁹ But after fighting long drawn-out battles, he succeeded in overcoming both the enemies. A fascinating legend is woven around Purusottamdeva's expedition to the south. The King wanted the hand of Princess Padmavati of Kanchi in marriage but he was refused on the ground



⁸ Ibid. p.315

⁹ S. Raveen, "The Nature of the Vijayanagar - Bahmani Relations", *International Journal of Research in Humanities and Social Studies*, Volume 2, Issue 4, April 2015, pp. 54-61.

that he performed the lowly task of sweeping the floor of the chariots during the Car Festival. Purusottamdeva mounted an offensive against Kanchi but his army suffered a humiliating defeat. Feeling dejected, he prayed to Lord Jagannatha, who appeared in his dream and asked him to launch another offensive and promised to fight on his side this time. Lord Jagannatha and Lord Balabhadra set out to the battlefield incognito. On the way they felt thirsty, bought curd from a milkmaid named Manika, which they paid for by giving her a jewelled ring. Later, the Gajapati army defeated the King of Kanchi, who now offered the hand of Princess Padmavati to Purusottamdeva. But the Gajapati King, who had been humiliated by him earlier, now refused to marry her and wanted her to be married off to a lowly *chandala* or sweeper. The clever Minister found an opportunity when the Gajapati was performing the ritual of sweeping the floor of chariots during the Car Festival and he offered Padmavati to him in marriage.

Purusottamadeva was succeeded by Prataparudradeva, during whose reign Sri Chaitanya visited Puri and a new version of Vaishnavism swept through several parts of Orissa. During his rule, the kingdom of Orissa suffered a series of hard blows that ultimately led to its downfall in 1568. The almost simultaneous emergence of three powerful enemies - the Sultanate of Bengal in the north, the Central Indian Sultanate of Golconda in the west and the empire of Vijayanagara in the south - posed serious threats to the kingdom. Krisnadevaraya of Vijayanagara, embarked upon a series of wars of conquest in South Orissa in 1512. Intrigues and betrayals in the court of the Gajapati king further debilitated the dynasty. About 1540, Govinda Vidyadhar put an end to the Suryavamsi rule and started the rule of Bhoi dynasty, which lasted up to 1559, when Mukundadeva, belonging to the Chalukya family, forcibly occupied the throne. It is believed that Mukundadeva Harichandan built a nine-storey building in the precincts of the Barabati Fort. During his reign, Pancha Kataka or five forts guarded the capital against possible aggression by external forces. However, the forts failed to protect the kingdom for long and Orissa fell to the treason of several high-ranking officers and to a surprise attack mounted by the troops of Sulaeiman Karani, the Sultan of Bengal.

Subsequently, Orissa came to be ruled by the Afghans and the

Mughals. In 1568, it was annexed to Bengal by the Sultan. After the death of Sulaeiman in 1572, his second son Daud became the Subedar of Bengal. However, Daud continued to resist the advance of the Mughals. In 1575, he surrendered to the Mughal General, Munim Khan, who was appointed the Viceroy of Bengal and Daud was allowed to rule over Orissa. The rivalry between the Afghans and the Mughals did not end and the following year witnessed a fierce battle between them. This time Daud was imprisoned and beheaded by the Mughals and Orissa became a part of the Mughal Empire. But the conflict between the Afghans and the Mughals continued, which came to an end in 1592 with the defeat of the Afghans by the Mughal General Mansingh. Mansingh recognized Ramchandradeva-I of Bhoi dynasty as the Gajapati King and the custodian of Jagannatha Temple at Puri. Under the Mughal rule, Orissa became a part of the subah of Bengal. During the reign of Emperor Jahangir, Orissa as a separate subah was carved out of Bengal in 1607. On 26th September 1607, Hashim Khan became its first Subedar. After the death of Aurangzeb in 1707 Orissa came to be ruled by the Nizams of Bengal till 1751, when the land to the south of the Subarnarekha came to be ruled by the Marathas.

The Marathas ruled Orissa for a little more than half a century. With the death of Raghuji Bhonsle in 1755, a few zamindars and chiefs rebelled against the Maratha supremacy, but Seo Bhatta Sathe suppressed the revolt. By this time the British were firmly placed in Bengal and Madras and they needed Orissa for providing a land passage to their army. The East India Company gave a proposal to the Raja of Nagpur offering to purchase Orissa from them. However, the proposal did not materialize. In 1770 a terrible famine devastated Orissa. Natural calamities like floods and droughts caused untold human misery. The suffering of the people got compounded by Maratha misrule.

On 3rd August 1803, Lord Wellesely, the Governor General declared a war against Marathas in a special dispatch addressed to General Campbell. He also ordered that the priests and pilgrims of Puri should be protected and respect should be shown to Lord Jagannath. On 8th September, Colonel Harcourt led an army of about 5,000 soldiers and camped at Ganjam. The troop negotiated the narrow and hazardous path in the mouth of Chilika Lake by bribing Fateh

Mahmmad, the Fauzdar of Malud. The soldiers reached Puri on 18th September where they were welcomed by priests and servitors. The troops proceeded to Cuttack via Dandamukundapur and Pipili. By 10th October the British army arrived in Cuttack, and on 14th October they occupied the Barabati Fort.

Resistance to the British came first from the Raja of Khurda, who acted on the advice of his Minister Jayee Rajguru and the Rajas of Kujang and Kanika. The British army marched to Khurda, stormed the fort and razed it to the ground. On 7th December 1804, Colonel Harcourt issued a proclamation saying that the fort and the country of Khurda had come into the “*possession and enjoyment of the victorious army of the honourable company*”.¹⁰ Khurda was made a *khas tehsil* and was included in Cuttack district in 1805. Raja Mukundadeva who was dethroned and imprisoned in the Barabati Fort was subsequently sent to Midnapur to be released and sent to Puri to act as the Superintendent of Jagannatha Temple. Jayee Rajguru was hanged to death.

In June 1804, Orissa was divided into two divisions, namely the Northern and Southern Divisions, river Mahanadi forming the boundary. Robert Ker and Charles Groeme were appointed as Judge, Magistrate and Collector of the Northern and Southern Divisions respectively. By 1805, both divisions were amalgamated and G. Webb succeeded Groeme as Collector and Robert Ker was appointed the Judge and Magistrate of the whole province. In 1816, the headquarters was shifted from Puri to Cuttack. By 1818, the office of the Commissioner was established and Robert Ker acted as the first Commissioner. In 1822, Orissa was again divided into two divisions with river Baitarani as the line dividing them. William Wilkinson, the Collector of Cuttack, remained in charge of Cuttack and Khurda, and Ricketts with powers of a Collector was given the charge of Balasore and Bhadrak. Finally, on 23rd October 1828, Orissa was divided into three districts, namely Balasore, Cuttack and Jagannath, later known as Puri. H. Ricketts, R. Hunter and W. Wilkinson became the first Magistrates and Collectors of the districts of Balasore, Cuttack and Puri respectively.



Jayee Rajguru (1739-1806)



A panel depicting Paika Rebellion from the gallery on historical Paika Rebellion in the State Museum, Bhubaneswar

¹⁰ M. Tripathy, “Administration of Shri Jagannath Temple under Marathas and British Rule”. *Odisha Review*, June 2014, pp. 46-52.

Paika Rebellion (1817)

The Paika Rebellion or Paika Bidroha was THE Original first war of Indian Independence against the British East India Company's rule in Orissa in 1817.



Buxi Jagabandhu
(1773 - 1829)

Paikas were the traditional landed militia of Orissa, who served as warriors and were charged with policing functions during peacetime. The Paikas were organized into three ranks distinguished by their occupation and the weapons they wielded. These were the *Paharis* - the bearers of shields and the *khandas* sword, the *Banuas* who led distant expeditions and used matchlocks, and the *Dhenkiyas* - archers who also performed different duties in Orissa armies.

Paika Rebellion took place when the British East India Company wrested the rent-free land that had been given to the Paikas for their military service to the Kingdom of Khurda on 2nd April 1817.

Further, when the British started experimenting with the stiff revenue system after 1803, it created hardship for the farmers of Orissa. The Paikas under the leadership of Buxi Jagabandhu Bidyadhar Mohapatra Bhramarabar Ray unleashed their wrath against the British. The well-organized and widespread armed rebellion was not just limited to a particular class. The resurgence of the valiant Oriya Paikas raised hopes and aspirations of the people.

Raja Mukunda Deva, the last King of Khurda was another leader of the Indian rebels. The rebellion enjoyed widespread support in Oriya society with feudal chiefs, *zamindars* and the common people of Orissa participating in it. The *zamindars* of Karipur, Mrichpur, Golra, Balarampur, Budnakera and Rupasa supported the Paikas. While the revolt started from Banapur and Khurda, it quickly spread to other parts of Orissa such as Puri, Pipili and Cuttack and to several remote villages, including Kanika, Kujang and Pattamundai. The Rajas of Kanika, Kujang, Nayagarh and Ghumusur aided Jagabandhu and Dalabehera Mirhaidar Alli of Jadupur, who was an important Muslim rebel.

Before the revolt of the Paikas in Khurda came the rising in Paralakhemundi (1799-1814). After the Paika Rebellion came the risings in Ghumusur (1835-36) and Angul (1846-47), the rebellion



of Kondhs in Kalahandi (1855), and the Sabara Rebellion of 1856-57, again in Paralakhemundi.

In March 1817, a 400-strong party of Kondhs crossed over into Khurda from the State of Ghumusur, openly declaring their rebellion against the company's rule. The Paikas under Jagabandhu joined them, setting fire to the police station and post office at Banapur. The rebels then marched to Khurda, ransacking the civil buildings and the treasury, forcing the company to abandon the place. Another body of rebels captured *Paragana Lembai*, where they killed the native officials of the company. Company government, led by E. Impey, the magistrate at Cuttack, dispatched forces to quell the rebellion under Lieutenant Prideaure to Khurda and Lieutenant Faris to Pipli in the beginning of April. These forces met with sustained attacks from the Paikas, forcing them to retreat to Cuttack, suffering heavy losses. Faris himself was killed by the Paikas.

The uprising spread rapidly across Orissa, and there were several encounters between the British and the Paika forces. At Cuttack, the latter were quickly put down. By May 1817, the British managed to re-establish their authority over the entire province, but tranquility finally returned after a long time.

In May 1817, the British posted judges to Khurda. The Paika Rebels were given sentences of death, deportation and long-term imprisonment. Between 1818 and 1826, the company's forces undertook combing operations in the jungles of Khurda to capture and put to death the rebels who had managed to escape. In these operations numerous Paikas were killed. Their leader, Jagabandhu, surrendered to the British in 1825 and lived as prisoner in Cuttack until his death in 1829.

The event took place four decades ahead of the Sepoy mutiny in 1857 and left an indelible mark in the annals of the history of India's freedom struggle. It remained a torchbearer for the anti-colonial movements in Orissa and the nation. It is certainly unfair to have not accorded adequate national importance to the revolt. On the occasion of the 200 years of this historic event, which is an embodiment of the Indian spirit of inclusiveness and a courageous tale of Indian patriotism, the recent call for declaring the Paika Rebellion as the first war of Independence is only befitting.

In 1840, Banki was annexed and placed under the direct administration of the British. Angul met the same fate in 1848. In 1849, Narayan Singh, the ruler of Sambalpur died without a male heir. His widow, Rani Mukhyapan Devi, laid claim to the throne, but her claim was set aside by Lord Dalhousie. The British seized the state under the Doctrine of Lapse. Sambalpur became a part of Bengal Presidency. It was transferred to the Central Provinces in 1862. Kandhamal was carved out of Boudh and made a government-administered tehsil in 1855.

Towards the Amalgamation of Oriya-speaking Tracts

The year 1866 marked a turning point in the history of modern Orissa. A terrible famine struck Puri, Cuttack and Balasore districts, in which nearly ten lakh people, almost a third of the population, perished. It not only exposed weaknesses and deficiencies in the colonial administrative system, it also threw the backwardness of the population of Orissa into sharp relief. The British, shocked by their failure to deal with the natural calamity, started introducing several welfare measures. With a view to protecting the people from the debilitating effects of famine and providing relief works, Mahanadi-Ganga with canal system and navigation provision, which was a part of the Ganga-Cauvery link, was taken up in late 1860s. The False Point, which was considered to possess a great potential as a future harbour, was surveyed and deepened, and the Kendrapara canal was constructed to establish communication with Cuttack. The East India Irrigation Company, which had been set up in 1862, prioritized construction of canals. The existing Jagannath Trunk Road and the Cuttack-Sambalpur Road were improved and new roads such as Cuttack-Chandbali Road via Kendrapara, Cuttack-Taladanda Road and Kandarpur-Machagaon Road were constructed. The idea of laying a railway line of the Bengal Nagpur Railway was mooted to link Cuttack directly with Calcutta and Madras. Cuttack Hospital was established in 1874, which became the Orissa Medical School the following year. In 1876, Cuttack Municipality was formed, which took charge of providing electricity, drinking water, medical relief and primary education to the public.

The main building of Ravenshaw College (now Ravenshaw University), Cuttack



Gouri Shankar Ray
Editor of the Utkal Dipika
(1838 – 1917)

The Utkal Dipika
(The First Oriya Newspaper of Orissa)

For the first time, in 1868, the idea of uniting Oriya-speaking tracts into a single administrative unit was expressed by Sir Stafford Northcote, the Secretary of State for India. Steps were taken to improve educational facilities in the province. Cuttack College, later known as Ravenshaw College, came to be set up in 1868. The great famine further awakened the emergent Oriya middle classes to voice their views and opinions. The *Utkal Dipika*, a weekly edited by Gouri Shankar Ray, came out in 1866 and articulated the aspirations of Oriyas. It was followed by other periodicals such as *Balasore Sambad Bahika* and *Sambalpur Hiteisini*. These journals and periodicals voiced the strong aspiration of Oriya speaking people to come under a single administration.

The demand for amalgamation of Oriya-speaking tracts took the form of submitting representations to the Government. Oriyas appealed to John Beames to bring together the scattered Oriya-



Raja Baikuntha Nath De
(1852 - 1913)



Utkal Gaurab Madhusudan Das
(1848 - 1934)

speaking tracts into one unit. The people of Balasore made a futile attempt to submit a similar representation to Sir Richard Temple, the Lieutenant-Governor of Bengal. In 1875, Raja Baikuntha Nath De of Balasore and Bichitrananda Das, the *Sirastadar* of the Commissioner of Orissa, Cuttack presented a memorandum to the Government for unification of the Oriya-speaking areas.

Ganjam played a major role in the unification of Oriya-speaking tracts. People of Ganjam organized meetings and voted to unify Oriya-speaking tracts by passing resolutions. In September 1870, a mass meeting was held in the village of Russelkonda (presently Bhanjanagar) where the Oriyas of Cuttack were persuaded to support the movement of unification. The agitation was strengthened with the formation of '*Ganjam Utkal Hitabadini Sabha*' by the Oriyas of Ganjam with Venkates Beu as its Secretary. In July 1877, an Association named '*Utkal Sabha*' was constituted under the leadership of Utkal Gaurab Madhusudan Das, who had also founded the Orissa Association in August 1822. To unify all the Oriya-speaking areas and to bring them under one administration, a memorial was presented by the *Utkal Sabha* of Cuttack to Sir S.C. Bayley, the Lieutenant-Governor of Bengal when he visited Orissa in November 1888. However, the demand was straightaway rejected by the Governor.

On 19th January 1895, John Woodburn, the Chief Commissioner of the Central Provinces, decided that from 1st January 1896 onwards Oriya language would be abolished and replaced with Hindi for official use in the district of Sambalpur. This notification drew bitter criticism from *Sambalpur Hiteisini* and *Utkal Dipika*. People protested to revoke the decision. On 20th June 1895, the *Utkal Sabha* sent a memorial to Lord Elgin, the Governor General, in protest of the unjust and arbitrary measure of denying the people to use their mother tongue. Despite several protests, by the end of 1895, Oriya was abolished from the offices of Sambalpur.

It is important to note that in July 1895, the first official support to unify the Oriya-speaking tracts came from H.G Cooke, the Commissioner of Orissa who thought that the probable areas under the united Orissa division would be Sambalpur district of the Chattisgarh Division of the Central Provinces, Tributary States of Patna, Sonapur, Rairakhol, Bamanda and Kalahandi, and the whole of the Ganjam district with the states of Kimidi and Ghumsur. However, the justification of Cooke for the merger, based on weighty, ethnological, philological and administrative considerations, was not accepted by higher authorities.

In July 1901, some people of Sambalpur approached Sir Andrew Fraser, the Chief Commissioner of the Central Provinces, and proposed that if it was thought impossible to have Oriya as the language of one Central Provinces District, they would prefer to be transferred to Orissa. This submission was appreciated by the Chief Commissioner. In the meantime, a deputation from Sambalpur consisting of five members met Lord Curzon at Shimla to acquaint him with their proposals. It may be pointed out that their request went in vain and the Governor did not think it wise to create a Chief Commissionership for Orissa at that time. Madhusudan Das, a member of the Bengal Legislative Council, coerced them by sending an extensive telegram to the Private Secretary of the Viceroy with regard to the language issue and his support to the peoples' cause in Sambalpur. Finally, Fraser submitted his note on 5th October 1901 proposing not only the restoration of the language, but also transfer of Sambalpur to Orissa Division. But the Government of India did not agree to transfer Sambalpur to the Orissa division, albeit approved the restoration of Oriya language in Sambalpur from 1st January 1903.

On 15th December 1902, Raja Baikuntha Nath De of Balasore presented a memorial to Lord Curzon in which he insisted the Governor-General to constitute a separate administrative unit for all Oriya speaking territories or to place them under one provincial administration, either Bengal, Madras or the Central Provinces.

In 1902, the Oriyas of Ganjam sent a memorandum to Lord Curzon in which they spoke of themselves as dissociated from their Oriya brethren and of Orissa as “*a limb separated from the body*” and they prayed “*not for a patchwork redistribution but hoped that the Government of India will be graciously pleased to bring together the scattered divisions inhabited by Oriya speaking people i.e. Ganjam in Madras, Sambalpur in the Central Province, and Orissa in Bengal, or under any one Government and one University*”.¹¹ In the same year, a gathering took place at Rambha in the Ganjam district with the leadership of the Raja of Khallikote which culminated in the formation of *Ganjam Jatiya Samiti*. Shyamasundar Rajguru of Parlakhemundi became the President of the Samiti in its first meeting held at Berhampur. Many prominent figures of Orissa were present in the meeting. They included Utkal Gaurab Madhusudan Das, Bishwanath Kar, Nanda Kishore Bal and Gopal Chandra Praharaj. So huge was the gathering that it came to be known as the first national conference of the Oriya people. Hence, by the beginning of 20th century, demand for a separate province for the Oriya-speaking people had gained momentum.



Biswanath Kar
(1864 - 1934)



Nanda Kishore Bal
(1875 - 1928)



Gopal Chandra Praharaj
(1874 - 1945)

¹¹ B. Devi, *Some Aspects of British Administration in Orissa, 1912-1936*. Delhi: Academic Foundation, 1992.

Curzon's Proposal for Territorial Adjustment

On 3rd December 1903, Lord Curzon prepared a scheme of territorial adjustment in the country outlined in the famous Risley Circular sent to the Government of Bengal. Considering the problems of Oriya people, Government of India decided “to unite the whole of Oriya-speaking peoples, both hill and plain, under one administration and to make that administration of Bengal”.¹² In other words, the circular added, “they would add to Orissa the Oriya-speaking tracts of Sambalpur (615,941 Oriya speaking people out of the total population of 829,698) and its feudatory states, the Ganjam District (with the possible exception of one Taluk in which Oriya was said to be the prevalent language) and the Ganjam and Vizagpatnam Agency Tracts”.¹³ Thus, the proposal considered to bring the scattered Oriya-speaking regions under a single administration while considering a proposal for the partition of Bengal. But the ‘greatest blow’ to the scheme came from Madras Government. In April 1904, Lord Curzon proceeded on a long leave. During his absence Lord Amphill, the Governor of Madras officiated as Viceroy of India. On his suggestion the Home Department turned down the proposal of transferring Ganjam area to the Orissa Division. Thus, the scheme was partially implemented by transferring the Sambalpur district to Orissa division on 1st September 1905 excluding the Chandrapur and Padampur estates and the Phuljhar Zamindari. In the same year, the two feudatory states of Gangpur and Bonai from the Chota Nagpur division and the other five feudatory states of Patna, Kalahandi, Sonapur, Bamra and Redhakhhol were transferred from the Central

¹² B. Devi, *Some Aspects of British Administration in Orissa, 1912-1936*, Academic Foundation, Delhi.

¹³ Ibid.

Provinces to the Orissa division. On 16th October 1905, Sambalpur and the adjoining feudatory States were amalgamated with Orissa Division, thereby fulfilling the long cherished desire of the people. In the process of the formation of a separate province for the Oriya-speaking people, the amalgamation of Sambalpur with Orissa Division was a landmark, a great historic event.

In the course of time, princely states accepted British supremacy. The Commissioner of Orissa also became the Superintendent of Tributary Mahals. By the end of the nineteenth century, as many as 24 feudatory states were under the administrative supervision of the British. Two more states, Sareikela and Kharsawan, were added to the list in 1922. The same year, the Commissioner of the Orissa Division ceased to function as the Superintendent of Tributary Mahals. A new post of Political Agent and Commissioner of Orissa Feudatory States was created, who also enjoyed judicial power.

In the early twentieth century, a large part of Orissa formed a part of greater Bengal. Other Oriya-speaking areas were included in the Madras Presidency and the Central Provinces. However, the Oriyas continued to cherish and nurture a distinct cultural identity. The transfer of Sambalpur from the Central Provinces to the Orissa Division of Bengal in 1905 was the first step towards the amalgamation of Oriya speaking territories. The political capital was shifted from Calcutta to Patna when the province of Bihar-Orissa was carved out of Bengal in 1912.

Oriya-speaking territories remained scattered in the Province of Bihar-Orissa, Madras Presidency and Central Provinces. For the people of Balasore, Cuttack and Puri, shifting of the capital from Calcutta to Patna posed enormous difficulties. The distance from Cuttack to Patna was six hundred miles, more than twice the distance from Cuttack to Calcutta. The quest for identity of Oriya-speaking people led to a growing demand for a single administration.

Utkal Sammilani

The movement for the unification of Oriya-speaking tracts was spearheaded by *Utkal Sammilani*, which held its first conference in 1903, under the inspiring leadership of Madhusudan Das.

Madhusudan Das felt the need of an all-Orissa organization to put comprehensive demands before the British authorities. It was felt that isolated movements in Sambalpur, Ganjam or Cuttack would not suffice. On 30th December 1903, *Utkal Sammilani* or the Utkal Union Conference was established at Cuttack. Madhusudan Das tactfully brought Oriya-speaking garhjat areas and their chiefs to this platform. This conference laid the foundation of the Oriya movement and spelt out its aims and objectives. Sriram Chandra Bhanj Deo, the Maharaja of Mayurbhanj, presided over the first conference which was attended by a number of feudatory chiefs. Socio-cultural and administrative problems of the Oriya-speaking people were discussed and resolutions of all important matters were adopted.

The first resolution of the Conference welcomed the proposal of the Government of India delineated in the Risley Circular with regard to territorial readjustment. The Utkal Union Conference thanked the authorities for amalgamation of Sambalpur region and reiterated the demand for inclusion of Ganjam area with Orissa in clear terms. The matter was taken to the notice of the Royal Commission on Decentralization in 1907 and the formation of a Chief Commissionership for the entire Oriya-speaking territory was suggested. In 1908, Madhusudan Das during his visit to London also attempted to convey the feelings to the British authorities. In the subsequent year, a deputation of the Oriyas of Ganjam met Sir Arthur Lawley, the Governor of Madras and convinced him regarding the necessity of separating the Oriya-speaking tracts of Ganjam and Vizagpatnam from Telugu-speaking areas and amalgamating them with Orissa.

In 1911, Lord Hardinge formulated a comprehensive scheme of territorial readjustment by considering the initiative of Lord Crewe, the Secretary of State for India, which ensured a magical turn of the situation in eastern India. The celebrated letter to the Secretary of State



Sriram Chandra Bhanj Deo
(1870 - 1912)



*Madhubabu at Utkal
Sammilani, Cuttack Session
(1903)*

on 25th August 1911 recommended the revocation of the partition of Bengal and the creation of a new province of Bihar and Orissa. The government observed that *“the Oriyas like the Beharees have little common with the Bengalees. And we propose to leave Orissa with Behar and Chhota Nagpur. We believe this arrangement will well accord with popular sentiment in Orissa and will be welcome to Behar as presenting a sea-board to the province”*.¹⁴ The new Province of Bihar and Orissa was inaugurated on 1st April 1912. However, this decision of creating the Bihar and Orissa province excluding the Oriya-speaking regions of Midnapore, Ganjam and Vizagpatnam Agencies, the states of Sundargarh, Raigarh, Bastarr, Phuljhar, Chandrapur, Padampur, etc. and the states of Sareikela, Kharsawan and Singhbhum was resisted by the people of Orissa and resulted in agitations.

The 8th session of the Utkal Union Conference held at Berhampur on 6th -7th April 1912, reflected the dissatisfaction of the people. Madhusudan Das was disappointed with the decision. Apart from the Utkal Union Conference, The Oriya Peoples’ Association, the Balasore National Conference, the *Udit Club of Singhbhum*, the *Utkal Milan Samaja* and the *Utkal Hiteisini Samaj* of Ganjam also played prominent roles in uniting Oriya-speaking areas. The Oriya movement was opposed by a countermovement by the Telugus in Ganjam. A few members of the British Parliament including Lord Curzon and MacCallum Scott were also unhappy with the formation of Bihar and Orissa Province.

¹⁴ B. Devi, *Some Aspects of British Administration in Orissa, 1912-1936*, Academic Foundation, Delhi.



Gandhiji's First Visit to Orissa in 1921

The Province of Bihar and Orissa and Mont-Ford Reform

The new province of Bihar and Orissa comprised five administrative divisions, viz. Patna, Tirhut, Bhagalpur, Chota Nagpur and Orissa besides a number of feudatory states. The Orissa Division comprised four districts of Balasore, Cuttack, Puri, Sambalpur and the scheduled district of Angul with an area of 13,736 square miles and population of nearly 50 lakh as mentioned in the Census of 1921.

In 1905, a political agent was appointed to assist the Commissioner with the administration of feudatory States of Orissa. Since 1922, the Commissioner was relieved of the burden of supervision. The political agent and the Commissioner became the Chief Controlling Authority under the head of the province. On 29th December 1920, Bihar and Orissa became a Governor's province.

Meanwhile, the Montague-Chelmsford Report on Constitutional Reforms displayed a measure of sympathy to the demands of the

SUMMARY
of
Constitutional Reforms
For India



Being
Proposals of Secretary of State Montagu
and
The Viceroy, Lord Chelmsford

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*Montague-Chelmsford
Report*

Oriyas, and a suggestion was made to the provinces concerned for an early consideration of the question of the reorganisation of areas on linguistic basis.

On 21st - 22nd September 1918, a special session of the Utkal Union Conference was presided over by Madhusudan Das. It discussed the Mont-Ford Report and its proposals with regard to Orissa. The



୧୯୨୧ ମସିହା ମାର୍ଚ୍ଚ ୨୩ ତାରିଖ କଟକ କାଠଯୋଡ଼ି ଦାଲିରେ ସଭା । ମହାତ୍ମାଜୀଙ୍କ ଲାଷଣ ପରେ ଚିନ୍ତକସ୍ତ୍ରୀମାନଙ୍କୁ ଆଦାୟ ଦେବୁର ରପତ ଚୌକିରେ ମହାତ୍ମା ଗାନ୍ଧି, ଦେବୁର ପାଖ ଚୌକିରେ କସ୍ତୁରବା ଓ ତାଙ୍କ ଆଗରେ ମଞ୍ଚର ଉପରେ ଖାଲି ପାଦରେ ଗୋପବନ୍ଧୁ

Conference adopted two resolutions. It demanded not only the amalgamation of Oriya-speaking tracts, but also a separate province under a Governor-in-Council and a legislative assembly with an elected non-official majority for the united Oriya-speaking tracts.

In the meantime, the movement to liberate India from British rule gathered momentum with the emergence of Gandhiji in the political scene. His first visit to Orissa in 1921 and his subsequent visits to the province brought Orissa into the mainstream of the freedom movement. The anti-colonial struggle in the province was led by Pandit Gopabandhu Das.

It is pertinent at this juncture to recognize and honour the role of Oriya women leaders in the freedom struggle. Prominent among



Pandit Gopabandhu Das
(1877-1928)



Rama Devi
(1899 – 2005)



Malati Devi Choudhury
(1904 – 1998)



Sarala Devi
(1904 – 1986)



Annapurna Maharana
(1917 – 2012)

them are Rama Devi, Malati Devi Choudhury, Sarala Devi and Annapurna Maharana.

Known as the mother of the masses, Rama Devi was the first woman freedom fighter in the State. She mobilized the women to take part in the Salt Satyagraha and was jailed during the Quit India Movement.

The Utkal Congress Samajvadi Karmi Sangh, formed by Malati Devi Choudhury along with her husband in 1933, came to be known as Orissa Provincial Branch of the All India Congress Socialist Party. She set up Bajiraut Chhatravas and Utkal Navajeevan Mandal at Angul, both of which worked for the welfare of the underprivileged sections of the society.

Sarala Devi has many firsts to her credit. She was the first Oriya woman to join the Non-Cooperation Movement in 1921. In independent India, she became the first woman to be elected to the Orissa Legislative Assembly. She was also the first woman speaker of the Orissa Legislative Assembly, the first woman Director of Cuttack Co-operative Bank, first woman Senate member of Utkal University, and the first Oriya woman delegate of the Indian National Congress.

Annapurna Maharana began actively campaigning for independence when she was fourteen years old. She was a member of Banara Sena, a group of children who dedicated themselves to the success of freedom movement.



Sachidananda Sinha
(1871-1950)

Towards a Separate Province

The Mont-Ford Report led to the passing of Government of India Act, 1919, which ignored the demand of the Oriyas. However, a resolution recommending the amalgamation of Oriya-speaking tracts was moved and carried in the Bihar and Orissa Legislative Council. The provincial governments concerned were asked to examine the question of separation of Orissa.

On 20th February 1920, Sachidananda Sinha¹⁵ moved a resolution in the Legislative Council of India which pressed for a committee to decide on the unification of Oriya-speaking tracts located in various parts of Madras, Bengal and Central Provinces. This resolution was widely supported and adopted. A similar resolution was also introduced by A.B Latthe¹⁶, backed by Brajasundar Das, and moved in the Indian Legislative Assembly on 2nd September 1921. However, Sir William Vincent the Home Member conveyed his inability in changing the provincial boundaries. On 25th November 1921, Biswanath Kar moved a resolution in the Bihar and Orissa Legislative Council for the union of Oriya-speaking tracts. In the same year, a similar resolution was also moved by Sasibhusan Rath in Madras Legislative Council. Nevertheless, these resolutions were discarded by the Government.

¹⁵ Dr. Sachidananda Sinha was an eminent and noted Indian Parliamentarian, educationist, lawyer and journalist.

¹⁶ A.B. Latthe was an Indian States Delegation Staff for the 1st Round Table Conference (November 1930-January 1931)

POLITICAL DEPARTMENT.

POLITICAL.

FILE NO. 10R-2 OF 1922.

Amalgamation of the Oriya-speaking tracts.

[No. 90.]

No. F-669-Public, dated Simla, the 13th July 1922.

From—H. Tonkinson, Esq., I.C.S., Joint Secretary to the Government of India, Home Department,

To—The Chief Secretary to the Government of Bihar and Orissa.

Subject:—Proposal for the amalgamation of Oriya-speaking tracts.

I am directed to invite a reference to the correspondence ending with your letter no. 5390-P., dated the 20th December 1921, on the subject mentioned above.

2. The Government of India consider that in order to arrive at a conclusion as to the further possible action in this case, it is advisable to have a linguistic map prepared showing the areas in which Oriyas are important. The map should be on the same scale and on the same lines as the enclosed copy of the map received from the Government of Madras, but should also clearly indicate the district boundaries. A statement is also required showing the percentage of Oriyas in the administrative unit taken and the language spoken by the main portion of the remaining population in the unit. The smaller the administrative unit which is taken with due regard to the scale of the map the more valuable the map is likely to be. I am to enquire whether a map of this kind could be prepared so far as Bihar and Orissa is concerned, and, if so, I am to request that the Government of India may be informed by telegram how long it is likely to take to prepare it.

3. The Government of India would further be glad to be furnished, if possible, with the census tables for villages for the census of 1921 showing the percentages of Oriyas and of the main portion of rest of the population arranged for some small administrative unit.

[No. 91.]

No. 2152, dated Gulzarbagh, the 1st August 1922.

From—The Officer-in-charge, Bihar and Orissa Drawing Office,

To—The Under-Secretary to the Government of Bihar and Orissa, Revenue Department, Ranchi.

With reference to your telegram of 28th instant, I have the honour to send under separate registered cover the map of Orissa Feudatory States and Singhbhum on scale of 1"=16 miles prepared according to your instructions. Kindly acknowledge receipt.

A bill of cost will follow.

[No. 92.]

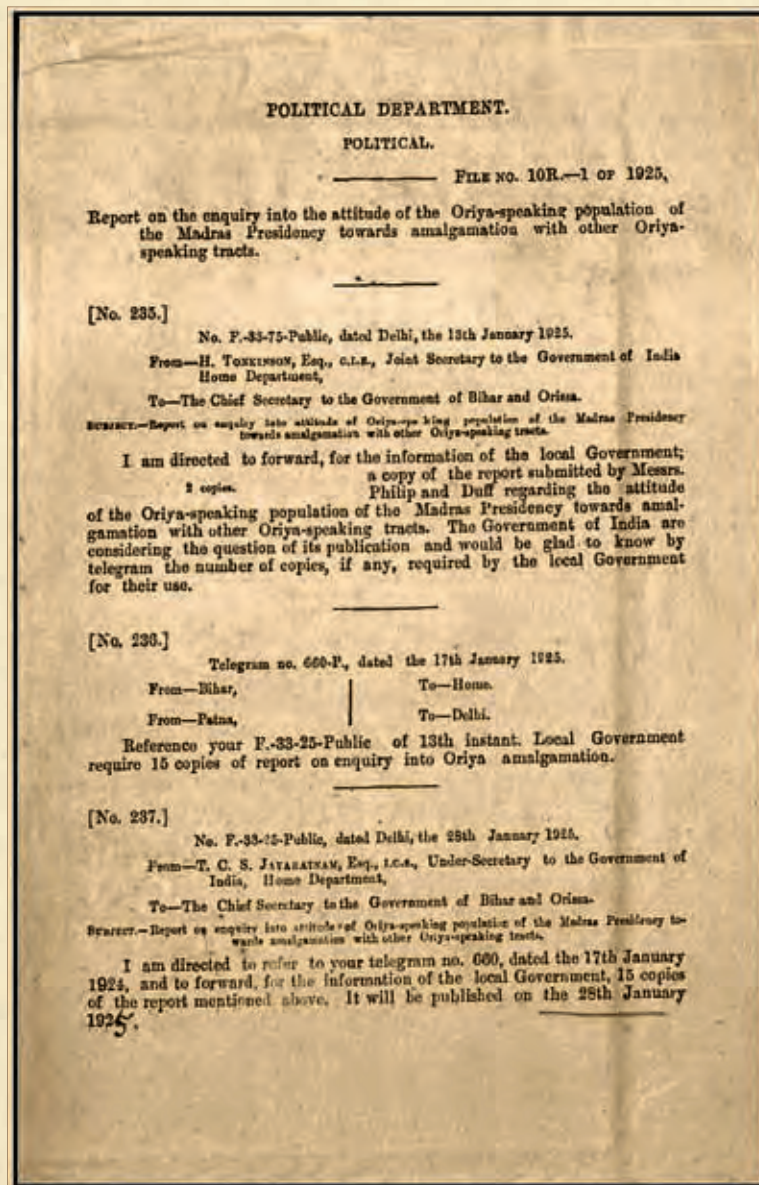
No. 2664-P. R., dated the 17th August 1922.

From—G. Rainy, Esq., I.C.S., Chief Secretary to the Government of Bihar and Orissa,

To—The Secretary to the Government of India, Home Department.

Subject:—Proposal for the amalgamation of Oriya-speaking tracts.

With reference to Mr. Tonkinson's letter no. F-669-Public, dated the 13th July 1922, I am directed to forward a map of the type desired therein showing



An extract from
Bihar and Orissa Council Records

Phillip-Duff Committee

In 1924, the Government of India appointed Phillip-Duff Committee to ascertain the attitude of the Oriya-speaking people of the Madras Presidency relating to the question of their amalgamation with Orissa. The Committee reported that *“there was a genuine, long-standing and deep-seated desire on the part of the educated Oriya classes of the Oriya-speaking tracts for amalgamation of these tracts with Orissa under one administration”*.¹⁷ The Report of the Phillip-Duff Committee formed the basis of the case presented to the Simon Commission in 1928.

¹⁷ P. Sahoo, “Formation of Orissa as a Separate Province”. *Orissa Review*, April 2006, pp. 67-69.



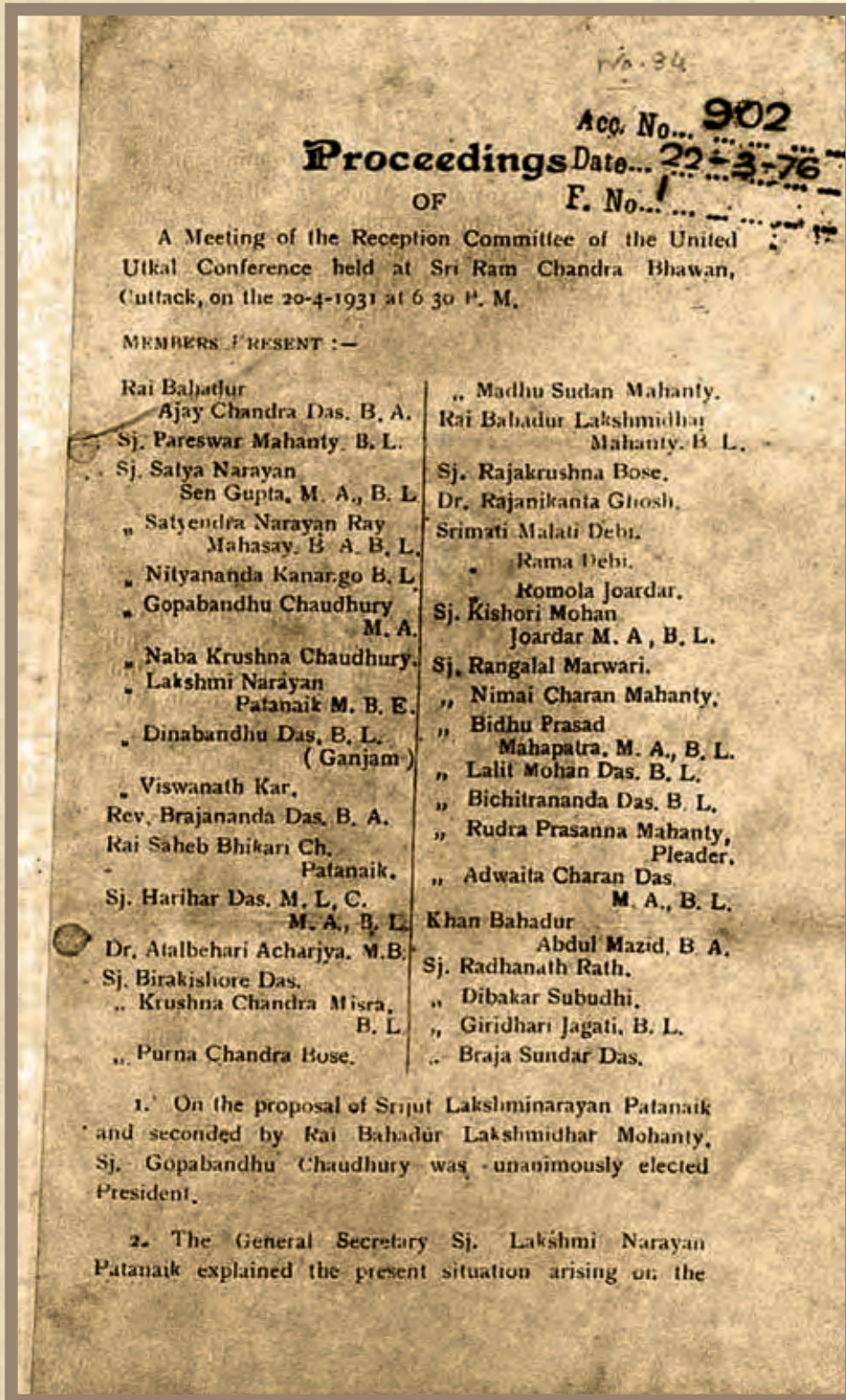
Protest against 'Simon Commission'

Sir John Simon appointed a Sub-Committee headed by Major Atlee to examine the case. The Statutory Commission described the union which then existed between Orissa and Bihar as *“a glaring example of artificial connection of areas which are not naturally related.”*¹⁸ The Commission suggested that a Boundary Commission be set up for readjustment of boundaries.

Subsequently, on 16th January 1931 the question of a separate province was strongly presented by the Maharaja of Paralakhemidi for the Oriyas' demand for a separate Province on the basis of common language and race during the First Round Table Conference (12th November 1930 – 19th January 1931). It was recognized that *“a separate Province of Orissa would perhaps be the most homogeneous province in the whole of British India both racially and linguistically; the communal difficulty is practically non-existent and its claim appears to have the support and sympathy of all parties in India.”*¹⁹

¹⁸ The Indian Statutory Commission comprised a group of seven British Members of Parliament of United Kingdom under the chairmanship of Sir John Simon assisted by Clement Attlee; also known as Major Atlee.

¹⁹ Great Britain, Parliament, Joint Committee on Indian Constitutional Reform, *Report from the Joint Committee on Indian Constitutional Reform: (session 1933-34)*. London: His Majesty's Station Office, 1934, Vol. I, Part I.



Copy of proceedings of the
United Utkal Conference held at
Sriram Chandra Bhawan

An extract from
Private Records of S. N. Rajguru



Round Table Conference in 1931

Orissa Boundary (O'Donnell) Committee



*Maharaja Krishna Chandra
Gajapati Narayan Deo
(1892-1974)*

Accordingly, the Government of India announced in their Resolution No, F.12-VI-31 of 18th September 1931, the formation of a Boundary Commission to examine and report upon the administrative, financial and other consequences of setting up separate administration. The Commission was also to recommend regarding the readjustment of boundaries in the event of separation. Samuel O'Donnell was appointed the Chairman of the Commission and other members included were T.R. Phookun, H.M. Mehta, Maharaja Shri Krishna Chandra Gajapati Narayan Deo, Sachidananda Sinha and C.V.S. Narasingh Raju. Sir Samuel O'Donnell was formerly a member of Indian Civil Service (I.C.S.). B.C. Mukherjee, I.C.S., was appointed as the Secretary to the Commission. This Commission also came to be known as the O'Donnell Committee or the Orissa Boundary Committee.

The Committee recommended that if the Province of Orissa was to be created, it should include the Orissa Division, Angul, the Khariar Zamindari of the Raipur district, the greater part of Ganjam district and Vizagpatnam Agency tracts. Thus the provision excluded certain Oriya-speaking areas like Paralakhemundi and Khariar, Padampur, and Phuljhar of the Central Provinces. The proposed area of the Province of Orissa was estimated to be approximately 33,000 sq. miles with a population of about 8.28 lakh.

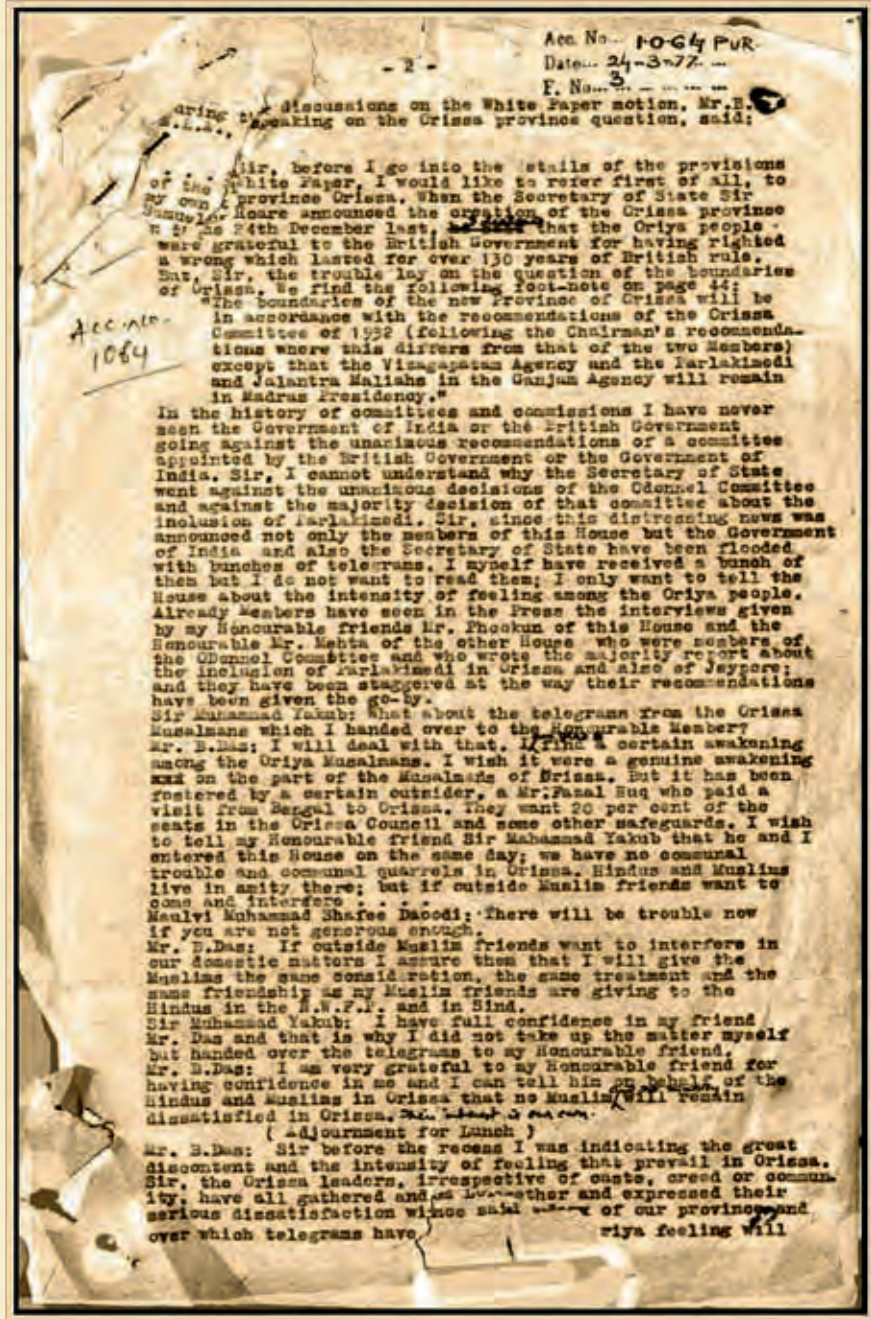
The O'Donnell Committee Report was highly criticized as it did not concede all the outlying areas that had been claimed. Besides, it would have been a province without a High Court or a University, and with a huge deficit.

The question of financial adjustment put an additional hurdle before the creation of the separate province. This inspired Shri Bhubanananda Das, a member of Legislative Assembly of India, to prepare a detailed note on financial adjustments where it was to be mentioned that financial deficit was not a big factor in the case of Orissa and if fair and equitable adjustments were made and Orissa got her dues, Orissa would be surplus province by 1940.

C.L. Phillip, Commissioner of Orissa Division forwarded the note to the government and remarked that it would be too optimistic to state that Orissa would be a surplus state by 1940. So, the territorial limits and decision on financial position remained with the central Government. Although the printed book of the budget for Province of Orissa was very big as compared to other provinces, the total receipts and total expenditure balance sheet was meager. The efficiency in tax collection system of the Province of Orissa was lower than Madras. No provisions were made for the development of village industries and agriculture.

White Paper Proposals and Local Reaction

Consequent upon the discussion at the Third Round Table Conference (17th November to 24th December 1932), on 24th December 1932, Sir Samuel Hoare, the Secretary of State for India announced in London that Orissa would be constituted into a separate province.



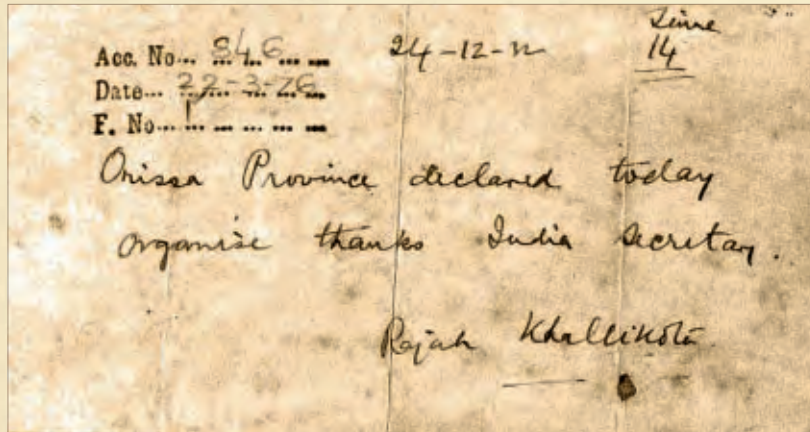
The Orissa Province question of
Mr. B. Das during discussion on
the White Paper Motion

An extract from
Private Records of S. N. Rajguru

Subsequently, the British Government set out for the reform of the Indian Constitution, the draft proposals of which were embodied in the White Paper published on 17th March 1933. The long awaited white paper contained the proposals for constitutional reforms in India and the boundaries of the proposed Orissa Province. It included the announcement constituting Orissa into a separate province and also indicated the boundaries of the said province. The White Paper declared that the new Orissa province would be headed by a Governor. The White Paper was then referred to the Joint Parliamentary Committee.

Copy of Telegram from Raja of
Khalikote thanking the Secretary
for declaration of Orissa as a
separate province

An extract from Private
Records of S.N. Rajguru



In November 1934, the Joint Parliamentary Committee under the Chairmanship of the Marquess of Linlithgow publicly announced “A separate province of Orissa would, however, be perhaps the most homogeneous province in the whole of British India, racially and linguistically”.²⁰

In recommending that a separate province of Orissa should be constituted, the Committee advised that its boundaries be extended by including the following areas to those already selected and included in the White Paper:

- a) The portion of the Jeypore estate which the Orissa Committee of 1932 recommended;
- b) The Paralakhemidi and Jalandra Maliahs; and
- c) A small portion of the Paralakhemidi Estate including Paralakhemidi town.

The recommendations of the Joint Parliamentary Committee were accepted by the House of Commons. It was decided to introduce a Bill on the general lines of the Report. Accordingly, the Government of India Bill was prepared and the provision for the creation of a separate Orissa province and the boundaries recommended by the Joint Parliamentary Committee for the said province were enlisted in the clause 46 and 271 respectively of the Bill. The creation of the Province of Bihar and Orissa in 1912 served as a reference point for Orissa Province.

²⁰ Great Britain, Parliament, Joint Committee on Indian Constitutional Reform, *Proceedings from the Joint Committee on Indian Constitutional Reform: (session 1933-34)*. London: His Majesty's Station Office, 1934, Vol. I, Part II, pp. 69-70.

ଦୈନିକ ଆଶା

୨୨-୩-୩୩
୨୩-୩-୩୩
୩୩-୩-୩୩



ଘୋର ଚୋରୀ ଘଟଣାବଳୀର
ଓଡ଼ିଶା ପ୍ରଦେଶ ପ୍ରଶ୍ନ

ଓଡ଼ିଶା ପ୍ରଦେଶ ପ୍ରଶ୍ନ
ଘୋର ଚୋରୀ ଘଟଣାବଳୀର
ଓଡ଼ିଶା ପ୍ରଦେଶ ପ୍ରଶ୍ନ

In regard to Orissa, no such definite statement could be made until they had a fair opportunity of considering the various points, but in their discussions they would have to take into account the possibility of creating a separate Province. His Majesty's Government had not yet reached any final decision in principle upon that matter although they hoped shortly to be in a position to announce their conclusions.

Meanwhile it would be well that the Conference should consider the financial difficulties involved. The exhaustive report of Sir Samuel O'Donnell's Committee had been thoroughly examined by the Government of India who considered that slight reductions in the estimates might be made with the following result:--

Basic annual deficit Rs 13 1/2
Additional recurring cost of separation Rs 16
Total initial deficit Rs 29 1/2
Ultimate deficit Rs 35

The Conference might consider the question on the basis of those estimates. In so doing, delegates would doubtless bear in mind the conclusion of the Orissa Committee that the deficit could not be met to any appreciable extent by the imposition of new taxes.

ଓଡ଼ିଶା ପ୍ରଦେଶ ପ୍ରଶ୍ନ
ଘୋର ଚୋରୀ ଘଟଣାବଳୀର
ଓଡ଼ିଶା ପ୍ରଦେଶ ପ୍ରଶ୍ନ

"It is understood that the Federal Finance Committee are reporting in favour of giving special subvention to Sind and Orissa and it is also believed that separation of Orissa had been agreed to in principle."

ଓଡ଼ିଶା ପ୍ରଦେଶ ପ୍ରଶ୍ନ
ଘୋର ଚୋରୀ ଘଟଣାବଳୀର
ଓଡ଼ିଶା ପ୍ରଦେଶ ପ୍ରଶ୍ନ

"The Oriya preponderance is marked out not only in the subdivision as a whole, but in each one of the local units with the exception of the extreme North-West corner of the district and the municipal areas of Chakradharpur and Chaibassa :
X X X X
'It will be seen that if most of the doubtfuls were assigned, in Singhbhum to the Biharis-cum-Bengalis, and in Dhalbhum to the Oriyas, the Oriyas would still have a substantial majority in Singhbhum, and the Biharis-cum-Bengalis in Dhalbhum."

ଘୋର ଚୋରୀ ଘଟଣାବଳୀର
ଓଡ଼ିଶା ପ୍ରଦେଶ ପ୍ରଶ୍ନ

"We recommend that the boundaries should be in accordance with the conclusions thus reached, namely that there should be added to the province as defined in the white paper:--

- (a) that portion of the Jeypore Estate which the Orissa Committee of 1932 recommended should be transferred to Orissa;
(b) the Parlakimedi and Jalantra Maliahs;
(c) a small portion of the Parlakimedi Estate, including Parlakimedi Town.

(କ) କନ୍ଧପୁର ଜିଲ୍ଲାରେ (କୋରପୁର) ଯେଉଁ ଅଂଶକୁ ଘୋର ଚୋରୀ ଘଟଣାବଳୀର ଓଡ଼ିଶା ସହିତ ମିଶିବା ପାଇଁ ସୁପାରିଶ କରାଯାଇଛି, ତାହା ଓଡ଼ିଶା ସହିତ ମିଶିବ;

(ଖ) ପାରଳାଖେମୁଣ୍ଡି ଓ ଜଳନ୍ତ୍ର ମାଲିଆ ଓଡ଼ିଶା ସହିତ ମିଶିବ;

(ଗ) ପାରଳାଖେମୁଣ୍ଡି ସହର ସମେତ ପାରଳାଖେମୁଣ୍ଡି ଜମିଦାରୀ ଅଂଶ ଅଂଶ ଓଡ଼ିଶା ସହିତ ମିଶିବ ।

ଏପରି ଘୋରୀ ଯଦ୍ୟଦ୍ ପାରଳା ପ୍ରଦେଶ ମହାସଭା ଆକୃଷ୍ଟକର ଉପପତି ନାମକରଣ ଦେଇ ଏଥିରୁ ଉଦ୍ଧୃତ ଭାଗ ସମଗ୍ର ପାରଳାଖେମୁଣ୍ଡି ଜମିଦାରୀ ଅଂଶ ଓଡ଼ିଶା ସହିତ ମିଶିବା ପାଇଁ ବାଦୀ କଲେ । ପାରଳା ମହାସଭା ଘୋର ଓଡ଼ିଶା କମିଟିର ତରଫେ ସହଯୋଗୀ ସଭ୍ୟ ଥିଲେ । ଉକ୍ତ ଓଡ଼ିଶା କମିଟିର ଚେୟାରମ୍ୟାନ ସାର୍ ଓଡ଼ିଶା ସହିତ ସଂପୂର୍ଣ୍ଣ ପାରଳାଖେମୁଣ୍ଡି ଜମିଦାରୀ ଓଡ଼ିଶା ସହିତ ମିଶିବା ସପକ୍ଷରେ ମତ ଦେଲେ ନାହିଁ । କିନ୍ତୁ କମିଟିର ଅନ୍ୟ ସଭ୍ୟ ସଭ୍ୟ ଶ୍ରୀ ଚନ୍ଦ୍ରଶେଖର ପୁରୁଣୁ ଓ ଶ୍ରୀ ଏଚ. ଏମ୍. ମେହେଟା ସ୍ୱତନ୍ତ୍ରରେ ସମର୍ଥନ କରି ଲେଖିଲେ-

"We, for the reasons stated above, do recommend that the Parlakimedi Zamindari should also be included within the boundary suggested by us..... It will be seen that if the boundaries are fixed as we propose, the province of Orissa will include the Orissa division, Angul, the Kharari Zamindari of the Raipur district, and the greater part of the Ganjam district and of the Vizagapatam Agency tracts. It will have an area of approximately 33,000 square miles and a population of about 8,277,000 persons."

ଉକ୍ତ ସୁପାରିଶକୁ ଦେଖାଯିବ ଯେ, ଓଡ଼ିଶା କମିଟି ସେତେବେଳର ଓଡ଼ିଶା ଭିତ୍ତୀନ, ଅନୁଗୁଣ, କନ୍ଧପୁର ଜିଲ୍ଲାର ଖଡ଼ିଆଳ ଜମିଦାରୀ, ଉତ୍ତମ ଭିତ୍ତୀନ ଅଧିକାଂଶ ଅଂଶ ଏବଂ ସମଗ୍ର ବିଶାଖାପାଟଣା ମାଲ ଅଂଶକୁ ଓଡ଼ିଶା ସହିତ ମିଶିବା ପାଇଁ ସୁପାରିଶ କଲେ ।

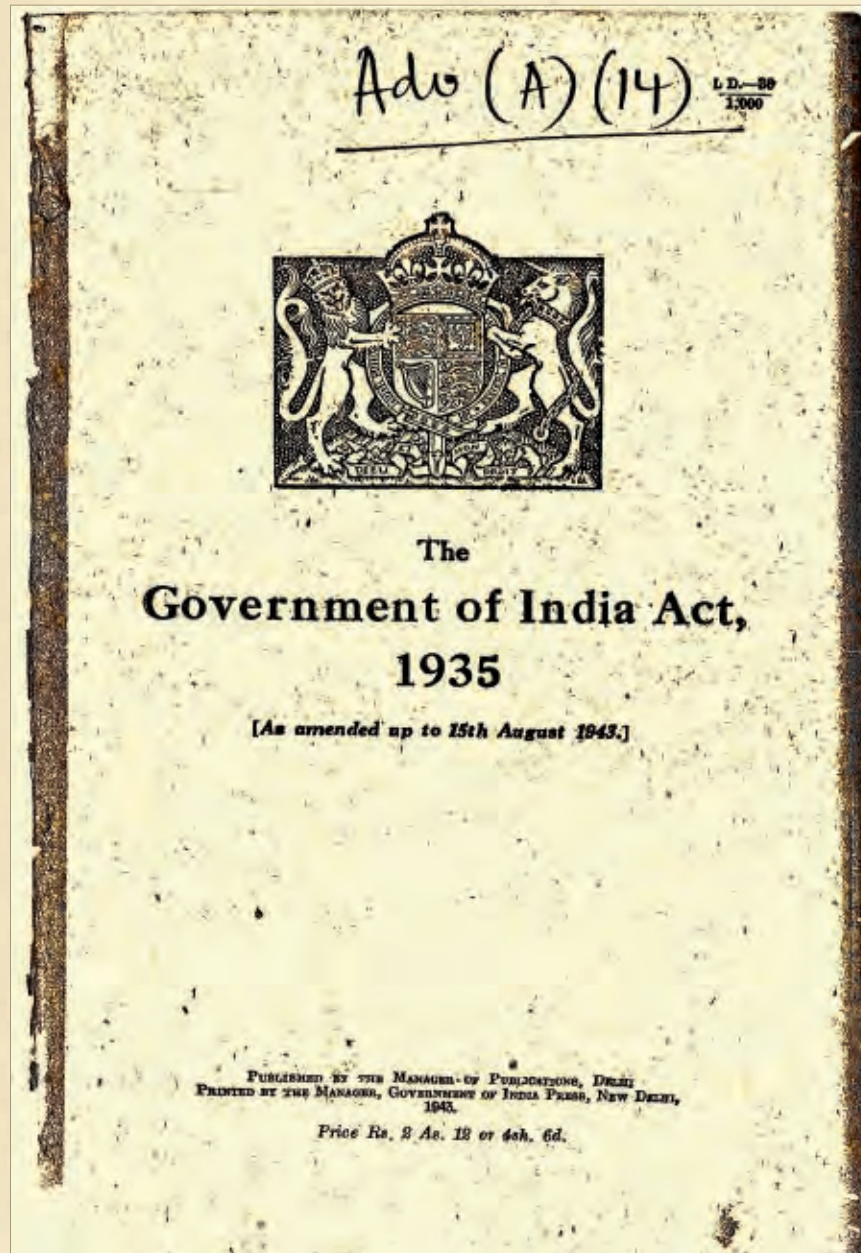
ତାଙ୍କ ସୁପାରିଶରେ ସିଂହଭୂମି ସମ୍ପର୍କରେ ସେମାନେ ଲେଖିଲେ-

"The Oriya preponderance is marked out not only in the subdivision as a whole, but in each one of the local units with the exception of the extreme North-West corner of the district and the municipal areas of Chakradharpur and Chaibassa :

X X X X
'It will be seen that if most of the doubtfuls were assigned, in Singhbhum to the Biharis-cum-Bengalis, and in Dhalbhum to the Oriyas, the Oriyas would still have a substantial majority in Singhbhum, and the Biharis-cum-Bengalis in Dhalbhum."

Extract from the White Paper Proposal

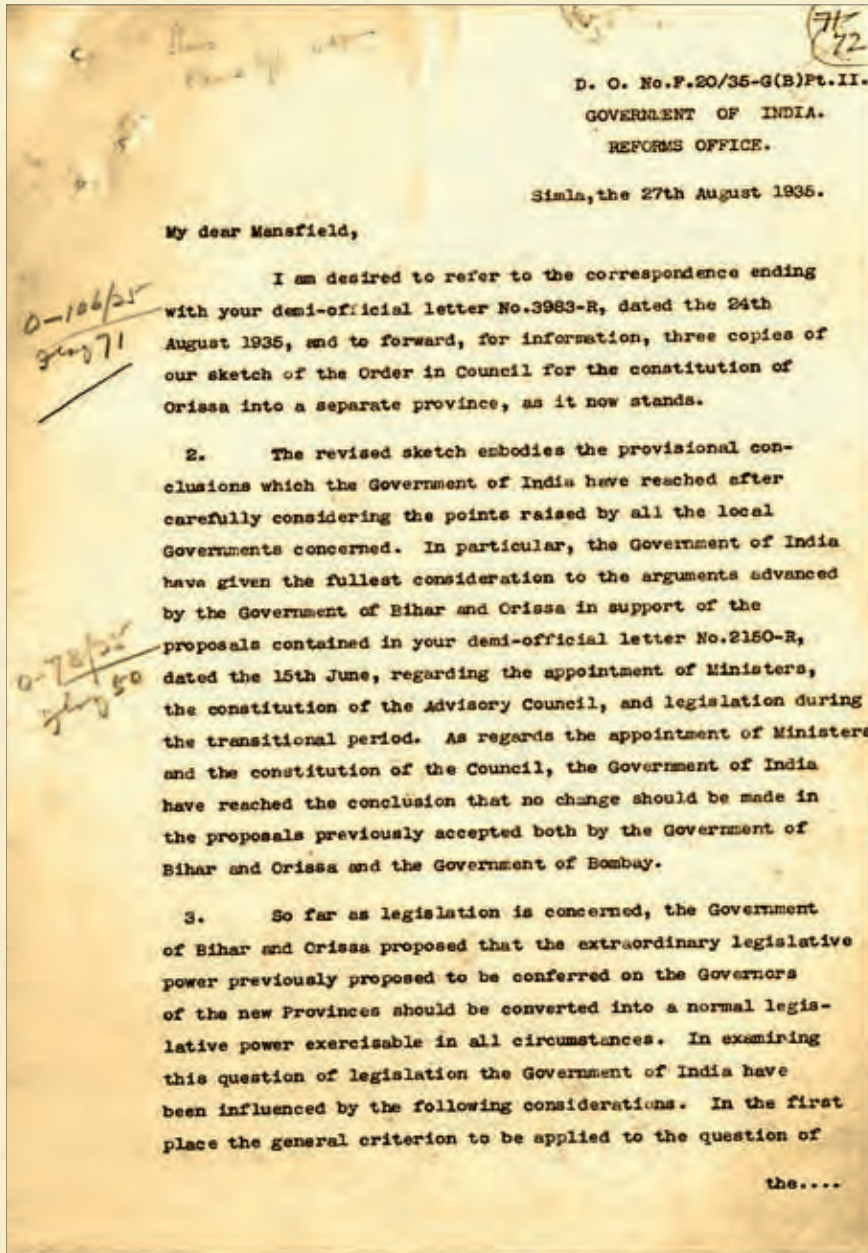
Highlights of Round Table Conference
Source: Dainika Asha



The Government of India Act, 1935

The matter was discussed in the British Parliament and provisions were made under Section 289 of the Government of India Act, 1935, adopted on 2nd August 1935, for the formation of two new Provinces: Orissa and Sind. Section 289 (1-b) of the Act contained the following:

“Orissa and such other areas in the Province of Bihar and Orissa as may be specified in the Order of His Majesty shall be separated from that Province, and such areas as may be specified in the said Order shall be separated from the Presidency of Madras and the Central Provinces



*Letter from Government of India
Reform Office to P.T.Mansfield,
Secretary to the Government of
Bihar & Orissa.*

*An extract from
State Govt. Records*

respectively, and Orissa and the other areas so separated shall together form a Governor's Province to be known as the Province of Orissa".²¹

The Joint Parliamentary Committee gave the final shape to the new province which emerged as one of the eleven units of British India by the Act of 1935.

²¹ P. Sahoo, "Formation of Orissa as a Separate Province". *Orissa Review*, April 2006, pp. 67-69.

Draft Order-in-Council, 1936

Thereafter, in accordance with Section 309, Government of India Act, 1935, an Draft Order- in-Council constituting the Province of Orissa was laid before Parliament on 20th January 1936 under the title 'Government of India (Constitution of Orissa) Order, 1936'. The Order was released both in England and India on 21st January 1936.

A Motion was made, and the Question being proposed, That an humble Address be presented to His Majesty, in pursuance of the provisions of Section 309 of the Government of India Act, 1935, praying that the Government of India (Constitution of Orissa) Order be made in the form of the draft laid before Parliament on 20th January 1936—(Mr. Butler):—And a Debate arising thereupon ;

Ordered, That the Debate be now adjourned. —(Mr. Butler.)

Government of India Act, 1935 (Constitution of Orissa Order.)

While presenting the Draft Order for granting interim government to Orissa in the House of Commons, Mr. Richard Austen Butler made it clear that according to provision under Section 289(2) of Government of India Act, 1935 the province would assume separate existence before the Act came into force in 1937. It was necessary, therefore, that these two provinces should find themselves as administrative units before responsible governments were installed.

Further, the Secretary of State for India, the Marquess of Zetland had requested in the House of Lords for the approval of the Draft Order on formation of Sind and Orissa on 13th February 1936. The purpose of these Orders was to give effect to Section 289 of the Government of India Act, 1935, under which Parliament had agreed to establish two new Provinces in British India, to be known respectively as the Province of Sind and the Province of Orissa.

The Marquess of Zetland during the deliberation in the House of Lords quoted, "*Throughout the present century, the people of Orissa*

*have pressed from time to time that their claims to be regarded as a homogeneous entity should be recognized. I am bound to say it is a claim that has my fullest sympathy, and, personally, I was gratified when I found that, as in the case of Sind, Parliament was willing to recognize the reasonableness of the claim and to provide for the establishment of a new Province of Orissa”.*²²

On 26th February 1936, the Earl of Shaftesbury conveyed the message to the House of Lords that His Majesty the King-Emperor would comply with their request.

The Earl of Shaftesbury had noted : “My Lords, I have to convey to your Lordships the following Message from the King” -

*“I have received your Addresses praying that the Government of India (Constitution of Sind) Order and the Government of India (Constitution of Orissa) Order be made in the form of the respective Drafts laid before Parliament on the 20th day of January last. I will comply with your request”.*²³

A similar message was conveyed to the House of Commons by the Vice Chamberlain of the House. His Majesty was pleased, by and with the advice of his Privy Council, to issue an order on 3rd March 1936, which read as: *“This Order may be cited as the Government of India Order, 1936”*. The order was given effect on the 1st April 1936.

The Secretary of State with his fullest sympathy was gratified when the establishment of a new Province of Orissa was approved by the British Parliament. He had flagged off three main important points. The first point concerned the date of the inauguration of the new provinces; the second dealt with the nature of the Government which was to be set up in the new Provinces during the interim period before provincial autonomy came into operation; and the third was the financial adjustments between the territories which were being divided (which formed the part of the Schedules of the Orders) and the financial assistance which in the case of both these provinces would be required from the central Government.

Regarding the date of establishment, he had proposed that the new provinces should come into existence at the beginning of a financial

²² H. L. Deb, Government of India (Constitution of Sind) Order, 1936, Vol 99 c749.

²³ Ibid.

**ନୂଆ ଓଡ଼ିଶା ପ୍ରଦେଶ ପାଇଁ
ସରକାରୀ ଘୋଷଣା**

କର୍ତ୍ତୃମାନ ପାଇଁ ଶ୍ରୀ ସନ, ପ୍ରଶାନ୍ତ ଓ ସୀମାଧାରଣ, ଛଦା ପରଧାନ
ବ୍ୟବସ୍ଥା ଓ ନୂତନ ବାବଦ ବ୍ୟୟାବସ୍ଥା ବ୍ୟବସ୍ଥା
ପାଇଁ ମେଣ୍ଟିଓରର ପ୍ରସ୍ତାବ
କର୍ତ୍ତୃମାନ ପାଇଁ ଲାଠପାଟଣା ସରକାରୀ ଚକ୍ରପୁର
(ଶକ ସମ୍ଭାବନାଦାକାର)

<p>ଦର୍ଶା, ତା ୨୩/୫/୫୨</p> <p>ଅପରା ଅପ୍ରେଲ ମାସର ଦିନଟାରୁ ଓଡ଼ିଶାକୁ ପ୍ରଦେଶ ପ୍ରଦାନ କରାଯିବ କ୍ଷମାରେ କରାଯିବ ସରକାର ପାଇଁ ମେଣ୍ଟି ଅନେକ ସେ ଅନୁରୋଧ-କରାଯିବ (ସରକାରୀ ଦୃଷ୍ଟିମାନା) ଶେଷ କରାଯିବ ଭାବ ଅନୁରୋଧ ନିଜର କରାଯିବ ସରକାର ପକ୍ଷରୁ କର୍ତ୍ତୃମାନ ଏଠାରେ ପ୍ରକାଶ ପାଇଛି। ସେଥିର ବ୍ୟବସ୍ଥା ତଳେ ଦିଆଯିବ। ଏ ଦୃଷ୍ଟିମାନାର ନାମ ଅପରାଦକୁ କରାଯିବ ସରକାର ଓଡ଼ିଶା ପ୍ରଦେଶ</p>	<p>୧। ଓଡ଼ିଶାର ନାମ ସୀମା ରୂପସଂକ୍ର ସିଦ୍ଧିଲାଭ ପୂର୍ବରୁ କେବଳ କର୍ତ୍ତୃମାନ ହୋଇଛି ସେହିପରି ଧାର୍ଯ୍ୟ ହେବ। ୨। ଯଦି ଏ ଦୃଷ୍ଟିମାନା ଧାର୍ଯ୍ୟ ହେବା ନାହିଁ ତେବେ ଓଡ଼ିଶାର ସାହା ସୀମା ରୂପ ସେଥିପାଇଁ ଦୌଣ୍ଡିଏ କର, ଏକକର, ସି ତାଲୁକ, ଗ୍ରାମ, ଜମିଦାରୀ ମହକୁମା ବା କୃଷକ ସଂଗଠନ ସିଦ୍ଧିଲାଭ ହେବାପାଇଁ ଅନୁରୋଧ ଦିଆଯିବ ସୀମା ସଂକ୍ରମାୟ ଦୌଣ୍ଡିଏ ସମସ୍ୟା ନେଇ ପ୍ରଶ୍ନ କରାଯିବ କେବଳ ସେ ଅପରାଦକର ହେବେ-</p>
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Official declaration for the formation of new Province of Orissa

ନୂଆ ଓଡ଼ିଶା ପ୍ରଦେଶ

ଆରମ୍ଭ ଦିନରେ ମିଃ. ବି. ଦାସଙ୍କ ଭାର୍ତୀ

ଦିବା, ତା ୩୧। ୩। ୩୨-ଆସେଇ ମେଣ୍ଟି ମିଃ ବି. ଦାସ ଓଡ଼ିଶା
ପ୍ରଦେଶ ସୃଷ୍ଟିର ପ୍ରଥମ ଦିନରେ ଏହି ଭାର୍ତୀ ପଠାଇଛନ୍ତି । ଏଥିରେ
ସେ ନିମ୍ନଲିଖିତ ମର୍ମରେ ଲେଖିଛନ୍ତି—

୩୦ ବର୍ଷର ନୁମାଶତ ସଂଗ୍ରାମ ଓଡ଼ିଆମାନଙ୍କୁ ଏକ ଶାସନାଧୀନରେ
ଏକ ନିଜ ସରକାର ଅଧୀନରେ ଏକତ୍ରିତ କରିପାରିଛି । ତେବେ ଦକ୍ଷିଣ ଭାର୍ତୀ,
ଦକ୍ଷିଣ ମେଦିନୀପୁର ଓ ସିଂହଭୂମିର ସେହି ସବୁ ଅଞ୍ଚଳ ବାଟ ରହିଗଲା,
ସେସବୁକୁ ପାଇବା ପାଇଁ ସେ ପୁଣି କେତେ ବର୍ଷ ଆନ୍ଦୋଳନ ଚାଲିବ, ଏ ନୂଆ
ମୁଁ ବୁଝିପାରୁନାହିଁ, ତଥାପି ପୁଣି ନୂଆ ଆଶା ଓ ନୂଆ ଜୀବନ ଧରି
ଓଡ଼ିଆ ଲୋକେ ତାଙ୍କ ନିଜ ସରକାରରେ ଓ ବ୍ୟବସାୟର କର୍ତ୍ତାରେ ବିଭିନ୍ନ
ସମସ୍ୟା ମିଶାଇବା ପାଇଁ ଗଠନମୂଳକ ଆନ୍ଦୋଳନର ନୂଆ ବାଟ ଫିଟାଇବେ ।
ପ୍ରଥମେ ସେତେବେଳେ ଆନ୍ଦୋଳନ ହୋଇଥିଲା, ଦେଶୀୟ ଉତ୍ପାଦ ଓ ଶ୍ରାମ
ଓଡ଼ିଶାର ହିତ ଓ ସ୍ୱାର୍ଥ ସମାନ ଜ୍ଞାନ କରି ବୁଝାଇ ରହିବାର କରମା କର-
ପାଇଥିଲା । କିନ୍ତୁ ସର୍ବଶ୍ରେଷ୍ଠ ରଂଗେତ ଉଚ୍ଚ ଜମିଦାରୀ ଓଡ଼ିଶା ସରକାରକୁ ଉଚ୍ଚ-
ନୈତିକ ସ୍ତରରେ ବିଭେଦ କରାଯାଉଥିଲା । କିନ୍ତୁ ଉତ୍ପାଦ, ସଂସ୍କୃତି ଓ ବାଣିଜ୍ୟର
ଏହିତା ତ ସଂକ୍ଷିପ୍ତ ହୋଇପାରିବ । ଏ ଉଚ୍ଚସ୍ତର ରିତରେ ସଂସ୍କୃତ ରହିବେ
ଶିକ୍ଷା, ସଭ୍ୟତା ଓ ଆର୍ଥିକ ସମସ୍ୟାରେ ଓଡ଼ିଶାର ଦେଶୀୟ ଉତ୍ପାଦ ଓ ଶ୍ରାମ
ଓଡ଼ିଶା ରିତରେ ମୋର ଆସିପାରିବ । ତେଣୁ ଆଜି ଅପ୍ରେଲ ପହିଲିରେ ଓ
ପ୍ରଦେଶ ସୃଷ୍ଟିର ଓଡ଼ିଶାର ଉତ୍ପାଦନାମାନେ ମଧ୍ୟ ଆମ ଅନୁରୋଧ କରନ୍ତୁ ।
ସେହି ଓଡ଼ିଆ ଉତ୍ପାଦନାମାନେ ପ୍ରଦେଶୀୟ ସରକାରରେ ରହିବେ, ତାଙ୍କ
ପାଇଁ ସମାନତା ପ୍ରଦାନ କରନ୍ତୁ ।

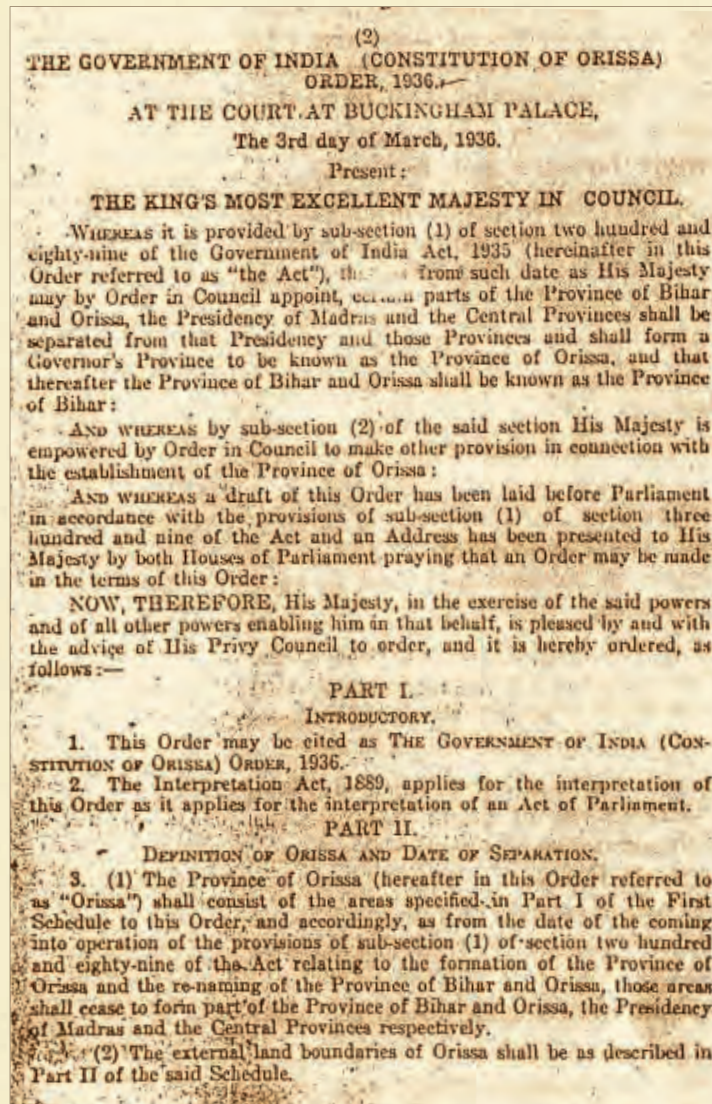
Message of Mr. B. Das on the eve of formation of New Orissa Province

year. With respect to the transitional period, he desired to make the form of Government as simple as possible and, in effect, the executive authority would be the Governor of the province. There would be no Legislative Councils in the ordinary sense during the interim period, but the Governor was to be assisted by the Advisory Councils consisting of twenty-five representatives in the case of Sind, and twenty representatives in the case of Orissa, who would be consulted by him on all matters of major importance. He would further be given the power of making such use either of individual members of his Advisory Council or of Committees of his Advisory Council, in assisting him to bring the new administrative machinery into operation, as he thought fit. It was thought very desirable that during this period in which the administrative work was being built up, major questions of political interest should be kept in abeyance and that being so the only legislative power during that time would be the power of the Governor and Governor-General in Council under the provisions of the existing Government of India Act. This transitional period was to continue until the establishment of provincial autonomy.



Sir Otto Niemeyer(1883-1971)

Since the newly created Orissa province possessed marginal revenue which was highly insufficient to meet its necessary expenditure, the Viceroy had emphasized on the need of financial adjustments based on the Report of Sir Otto Niemeyer.



*The Government of India
(Constitution of Orissa)
Order, 1936*

The Province of Orissa

The Government of India Order (Constitution of Orissa), 1936 was issued at the Court at Buckingham Palace on 3rd March 1936. At last, the long-cherished dream of the Oriya-speaking people was fulfilled, when the Province of Orissa was constituted bringing together

tracts lying in Bihar and Orissa, the Central Provinces and Madras Presidency. The province was inaugurated at a darbar held in the Ravenshaw College Hall to mark the occasion. His Excellency Sir John Austen Hubback, Governor-designate, accompanied by Lady Hubback, Mr. J. S. Wilcock, I.C.S., Private Secretary designate and Mr. WLO'B Stallard, IP, Aide-de-Camp designate arrived at Cuttack by a special train from Balasore. The party was accorded a warm welcome at the railway station. His Excellency was given a seventeen gun salute and escorted to the College Hall, where nobles and high officials had assembled. He was sworn in as the first Governor of

ନୂତନ ଓଡ଼ିଶା ପ୍ରଦେଶର ସମ୍ବନ୍ଧୀୟ
 ନୂଆ ଲକ୍ଷ୍ନୌ ଅଭିମତ
 ପ୍ରାଚୀନ, ଜା ନାମ । ମା । ମା ୨-୧୯୩୬ ଓଡ଼ିଶା ପ୍ରଦେଶର ସ୍ୱତନ୍ତ୍ର
 ସ୍ୱାଧୀନତା ଦେବାକୁ ଆଜି ପ୍ରାଚୀନ ଓଡ଼ିଶା ପ୍ରଦେଶର ଯେଉଁ ଯେଉଁ ନିମ୍ନଲିଖିତ
 ନାମରେ ନିର୍ଦ୍ଦିଷ୍ଟ—“ଓଡ଼ିଶା ବିଭିନ୍ନ ପ୍ରଦେଶରୁ ଯେଉଁ ସବୁ ଓଡ଼ିଶା ପ୍ରଦେଶକୁ
 ନିଆଯାଇ ଏକ ସ୍ୱତନ୍ତ୍ର ପ୍ରଦେଶ ସୃଷ୍ଟି ହୋଇଛି, ତାର ଶାସନ ଶୁଭକ୍ଷିତ କରିବା
 ପ୍ରଥମ କାମ । ପ୍ରଦେଶର ସ୍ୱତନ୍ତ୍ରତା ପାଇଁ ଏ ପ୍ରଦେଶରୁ ଉତ୍ତମ କରିବାକୁ
 ହେବ । ନୂଆ ନିର୍ବାଚନ ପରେ ନିଜାମୀୟ ଶାସନ ଏ ପ୍ରଦେଶକୁ ଦେବା
 ପୂର୍ବରୁ ଏହିର ଶାସନ ଶୁଭକ୍ଷିତରେ ଉଦ୍ଧାରପାଇଁ ଯେଉଁ ଯେଉଁ ପଦକ୍ଷେପ
 ଗ୍ରହଣ ହେବ ସେହି ସମ୍ପର୍କରେ । ତାହାରେ ନିଜାମୀୟ ଶାସନର ଉନ୍ନତି ପାଇଁ
 ସମସ୍ତ ଓ ଅନୁସରଣ ଅନୁସରଣ କରାଯାଏ । ସମାଧାନ ପାଇଁ ନୀତି ସ୍ୱରୂପ ନିର୍ଦ୍ଦିଷ୍ଟ ।
 ନୂଆ ଶାସନର ସମସ୍ତ ଅନୁସରଣ ସେହିପରି ଯେଉଁ ଯେଉଁ ସ୍ୱତନ୍ତ୍ରତା ପାଇଁ
 ଆଣି କରେ ନିଜାମୀୟ ପୂର୍ଣ୍ଣ ଉଦ୍ଧାର ଯେଉଁ ଯେଉଁ ପଦକ୍ଷେପ ନିର୍ଦ୍ଦିଷ୍ଟ ।
 ଆମର ନୀତି ହେବ ଉନ୍ନତ ଅନୁସରଣ ସ୍ୱରୂପ ନିର୍ଦ୍ଦିଷ୍ଟ ପ୍ରଦେଶର ଉନ୍ନତି
 କରିବା । ପ୍ରଦେଶର ଉନ୍ନତି ଏ ସବୁ ସମସ୍ତର ସମାଧାନ ହୋଇପାରିବ
 ନାହିଁ । ତାର ଅନୁସରଣରେ ଅନୁସରଣ ଏ ଦିଗରେ ପ୍ରଦେଶର ସମାଧାନ
 ନିର୍ଦ୍ଦିଷ୍ଟ ହୋଇ ସେ ଆଣି ଯୋଗ୍ୟ ।
 ତା ୧-୪-୧୯୩୬ର 'ସମାଚ' ।



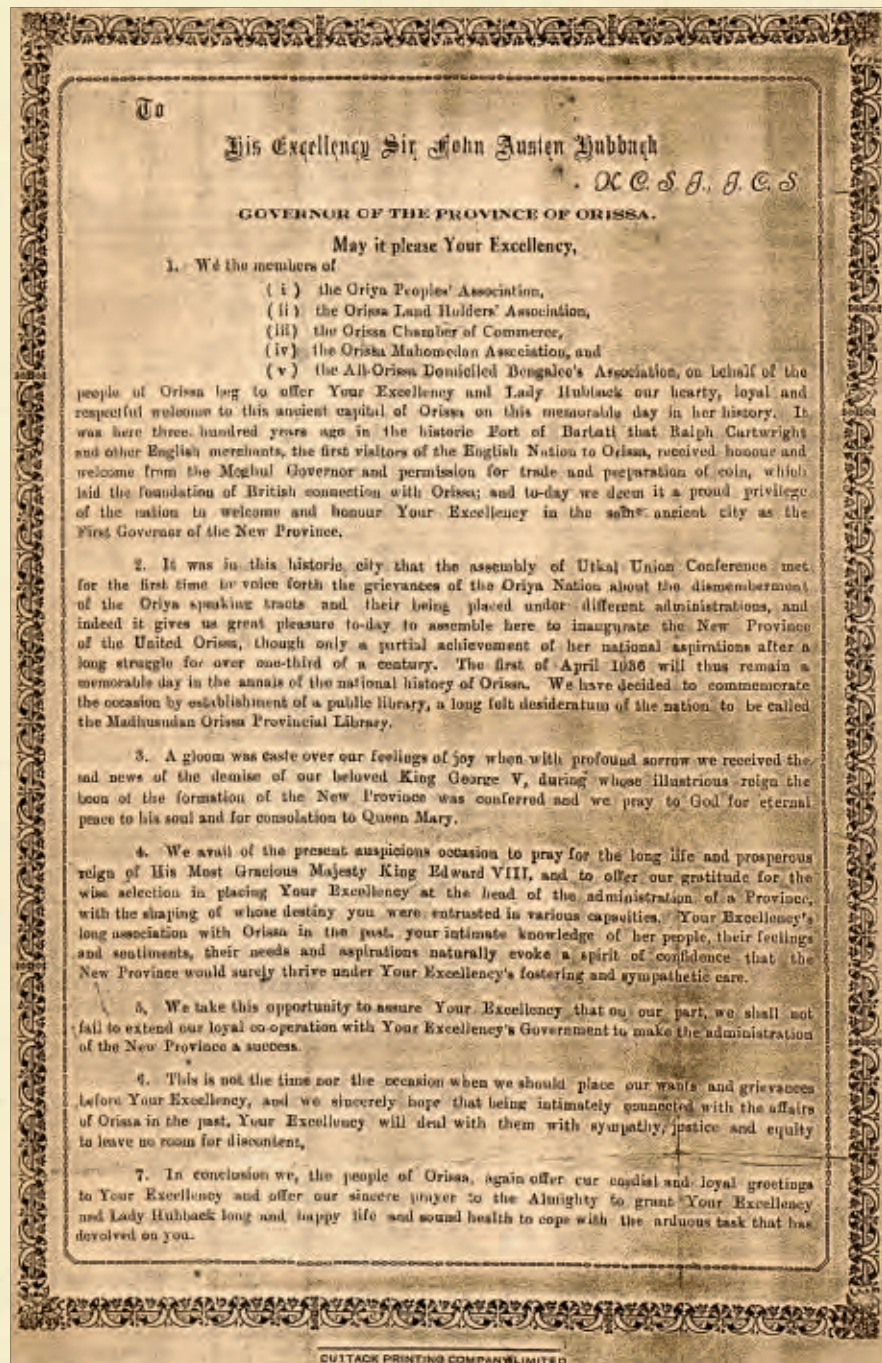
Sir John Austen Hubback with Lady Hubback

Press meet of Sir John Austen Hubback after the creation of Orissa Province

Communiqué.
 (Simultaneous publication in India and in England has been arranged)
 His Majesty the King-Emperor has been pleased to approve the appointment of Sir Lancelot Graham, K.C.I.E., I.C.S., and Mr. John Austen Hubback, C.S.I., I.C.S., to be Governors of the newly created Provinces of Sind and Orissa, respectively.
 THE VICEROY'S HOUSE,
 NEW DELHI;
 22nd February 1936
 For publication in the morning papers of Tuesday, the 25th February 1936

Communiqué

the Province by Hon'ble Chief Justice of the Patna High Court Mr. Courtney Terrel. Representatives of the Oriya People's Association, the Orissa Landholders' Association, the Orissa Chamber of Commerce, the Orissa Mahomedan Association and the All Orissa Domiciled Bengalees' Association gave a rousing welcome to the Governor. In his reply, the Governor read out the message of the King-Emperor and that of the Viceroy, and promised to work for the welfare of the people of the province.



Welcome to the
Governor

The message from His Majesty the King Emperor

"It gave me great pleasure as one of the earliest acts of my reign and first outcome of the Government of India Act of last year to approve an Order in Council creating Orissa as a separate Province. Through my Viceroy and your first Governor I send to the Province of Orissa this message of greeting. The long-cherished and natural desire of

As Viceroy and Governor-General of India, my first duty is to convey to you on the occasion of your assumption of office as the first Governor of Orissa the following message which His Majesty the King-Emperor has been graciously pleased to send on this auspicious day to the people of Orissa—

“It gave me great pleasure as one of the earliest acts of my reign and first outcome of the Government of India Act of last year to approve an Order in Council creating Orissa as a separate Province. Through my Viceroy and your first Governor I send to the Province of Orissa this message of greeting. The long-cherished and natural desire of the Oriya people to be re-united after centuries of dependence upon other administrations is thus fulfilled. It is my hope and expectation that the new Province will draw inspiration from the past and will prove worthy of the historic tradition of the holy land of Orissa. To all my subjects in Orissa I send my cordial wishes for their happiness and prosperity.”

For myself I fully realise that you, the people of Orissa, have striven long and earnestly for the union under one Government of all the Oriyas and for the creation of a separate Province of Orissa. You have today achieved your ambition and I am gratified that it falls to my lot to send you my most sincere congratulations.

Your future destinies are in your own hands and after no long period you will, in common with the other older Provinces of British India, have full responsibility for the conduct of the administration. Difficulties will no doubt confront those who are first called upon to hold office under the new constitution, for I recognise that Orissa has not the same material resources as other more fortunate Provinces, but I am confident that the Ministers of the future and the members of the Legislature will face those difficulties with courage and determination and will succeed in making Orissa, the ancient home of Hindu religion and culture, a worthy unit in the great Federation of India.

1 APRIL 1936

Viceroy and Governor-General.

*The Message of the
King Emperor (read out
by the Governor)*

*the Oriya people to be re-united after centuries of dependence upon other administrations is thus fulfilled. It is my hope and expectation that the new Province will draw inspiration from the past and will prove worthy of the historic tradition of the holy land of Orissa. To all my subjects in Orissa I send my cordial wishes for their happiness and prosperity”.*²⁴

The Governor also read out the Message of the Viceroy:

*“For myself I fully realize that you, the people of Orissa, have striven long and earnestly for the union under one Government of all the Oriyas and for the creation of a separate province of Orissa ... the ancient home of a Hindu religion and culture, a worthy unit in the great Federation of India”.*²⁵

²⁴ R. Kalia, *Bhubaneswar: From a Temple Town to a Capital City*. Carbondale and Edwardsville: Southern Illinois University Press, 1994, pp. 158-163.

²⁵ *Ibid.*, p. 33

The new Province of Orissa comprised an area of 32,695 square miles with a population of 8,043,681 drawn from three provinces as stated below:

Table 1.1

Name of the Province	Area (Approx sq.miles)	Population
Madras	17,400	2,552,874
Central Provinces	1,589	184,665
Bihar and Orissa	13,706	5,306,142
Total	32,695	8,043,681

5

If His Excellency prefers I could bring the case up on Saturday; but it is rather desirable to let Mr. Dixon know of this problem which he is to consider.

P. T. MANSFIELD—29-4-1935.

The draft is semi-official to Mr. Dixon may issue.

J. A. H[UBBARD]—30-4-1935.

Better to split the draft up into two letters—one, a personal one to Mr. Dixon saying we have asked for him, the other a semi-official which he could refer to his office on any point. This would have no reference to the possibility of Mr. Dixon coming to Ranchi as Special Officer but would run that in continuation of recent conversation, the following problems have suggested themselves and you would be glad if he would give them his early consideration so that he may be in a position to advise when application is made by us to the Madras Government for advice.

J. D. S [LITTON]—30-4-1935.

Mr. Dixon might also be asked to be ready to advise as a site for a circuit house near Berhampur.

J. A. H[UBBARD]—1-5-1935.

I have divided the draft into two; the top one will be confidential, and not issued from this file.

P. T. MANSFIELD—1-5-1935.

Demi-official letter no. 1371-E, dated P. O. Hincio, Ranchi, the 1st May 1935, from P. T. Mansfield, Esq., I.C.S., Secretary to the Government of Bihar and Orissa, Refuges Department, to A. F. W. Dixon, Esq., I.C.S., Collector of Ganjam.

One of the first things which have to be decided in the arrangements to be made in the new Orissa is how the districts or divisions in the areas coming from Madras should be rearranged. In particular there is the point about Parlakimedi and the Parlakimedi malahs which I discussed with you. Since Chiosole, to which division it belongs, is not coming to Orissa, it is necessary to put it under some other division. You made two suggestions—(1) that it should come under Berhampur, or (2) that it should be taken over by the Special Assistant Agent, Baligada, and that part of the latter's existing charge should be put under the Sub-divisional Officer, Khendama.

2. You thought that it might be difficult to put Parlakimedi under Berhampur, because the Berhampur Sub-Collector has at present nothing to do with the Agency, and also because he will have a fairly heavy job, even though part of his jurisdiction will be lost and will remain in Madras. As regards the second alternative there is a possible objection that it is better to leave the Sub-divisional Officer of Phulhari with his jurisdiction intact and not, at any rate in the first year or two, to hand over to him another area with which he is not familiar and in which conditions may be rather different.

3. A third possibility was suggested while I was in Vizagapatnam district, namely, that since it is probably necessary to have a Special Assistant Agent or Sub-Collector at Rayagada, it might be possible to cut off Parlakimedi and the Parlakimedi malahs from Ganjam district and to add them to Koraput district under the Special Assistant Agent at Rayagada. It seemed to be generally agreed that it was necessary to have a Special Assistant Agent at Rayagada because it would be too far to administer that area from Koraput, and because the Sub-Collector at Parvatipur, who is at present the only Magistrate with first class powers in that area, would be remaining in Madras. On the other hand it is fairly clear that a Sub-Collector (Special Assistant Agent) at Rayagada will have a very light job, and it was suggested that there would be no difficulty in his taking over the additional area of Parlakimedi and the Parlakimedi malahs. Possibly in order to make the area more convenient for administration he should take over Ramagiri-Udayagiri as well.

4. Other questions will arise before any decision can be taken as to the buildings to be erected at Koraput and Rayagada, such as the exact number and status of the officers required in those places, when they are transferred to Orissa and Koraput is formed into a district headquarters. Will it be sufficient to have as Koraput a Collector, I.C., the Agent to the Governor, with one first class Magistrate,

Letter from P.T.Mansfield, Secretary to the Government of Bihar & Orissa to A.F.W. Dixon, Collector of Ganjam.

An extract from State Govt. Records

According to the First Schedule (Part I) of the Government of India (Constitution of Orissa) Order 1936, the Province included : 1. Orissa Division of Bihar and Orissa; 2. Areas from Madras: (i) the Ganjam Agency tracts, (ii) the non-Agency portion of Ganjam district, such as, the Taluks of Ghumusur, Chatrapur, Aska, Sorada, Kodala, and so much of the Taluks of Ichhapore and Berhampore as laid to the north and west of the line described in Part II of this Schedule, (iii) so much of the Paralakhemidi Estate as laid to the north and east of the said line, (iv) from Vizagapatnam district, the Jeypore Estate and so much of Patangi taluk as was not included in the Estate;

Area transferred from Madras to Orissa Province

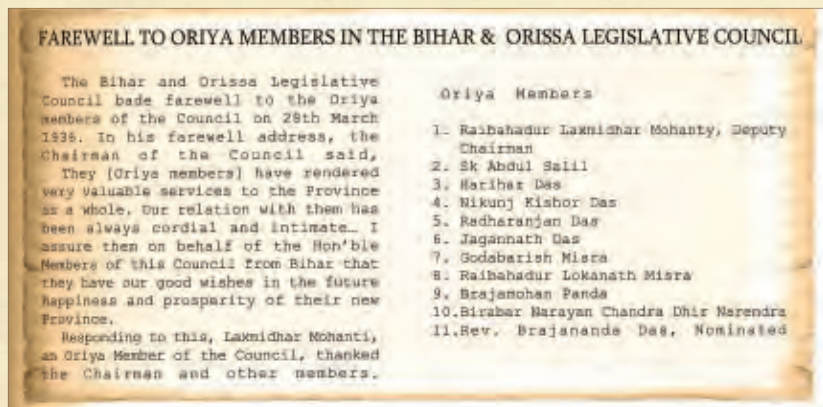
3. Areas from Central Provinces: (a) the Khariar zamindari in the Raipur ditrict, (b) the Padampur tract consisting of the 54 villages of the Chandrapur–Padampur Estate and (c) seven villages namely, Kuhakunda, Badima, Punchpudgia (Soda), Berhampura (Malguzari), Panchpuragia (Palsoda), Jogni, and Thakurpali (Jogin). The Province was divided into six districts: Puri, Cuttack, Balasore, Sambalpur, Koraput and Ganjam. The Khandmals formed a part of Ganjam district and Angul was included in Cuttack district. According to the said Order, a Council was constituted with all the members of the Provincial Legislative Councils from the areas constituting the Province and a few others to advise the Governor on matters of administration.

However, based upon the linguistic criteria, the areas such as Ichapur, Mandasa, Burdarsingi, Jalantra, Tarla estates, Tekkali and Sompeta taluks in Ganjam district, Singhbhum district in Chhotanagpur, Phuljhar and other Oriya speaking tracts in Raipur district of the Central provinces, Southwest Midnapur in Bengal, Khariar and Padampur, Vizagpatnam Agency, Paralakhemundi estate and Jalantar Maliah of the Ganjam Agency, Sareikela and Kharsawan could have been included in Orissa Province. This had evoked a strong reaction in the newly created Orissa Province.

The Bihar and Orissa Legislative Council bade farewell to the Oriya members of the Council on 28th March 1936. In his farewell address, the Chairman of the Council said,

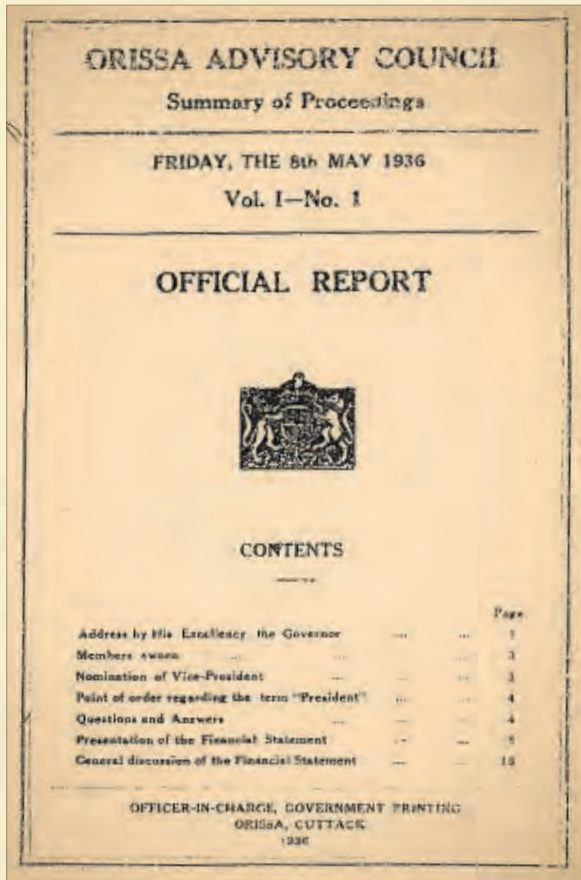
*“They [Oriya members] have rendered very valuable services to the Province as a whole. Our relation with them has been always cordial and intimate... I assure them on behalf of the Hon’ble Members of this Council from Bihar that they have our good wishes in the future happiness and prosperity of their new Province”.*²⁶

Responding to this Laxmidhar Mohanti, an Oriya Member of the Council, thanked the Chairman and other members.

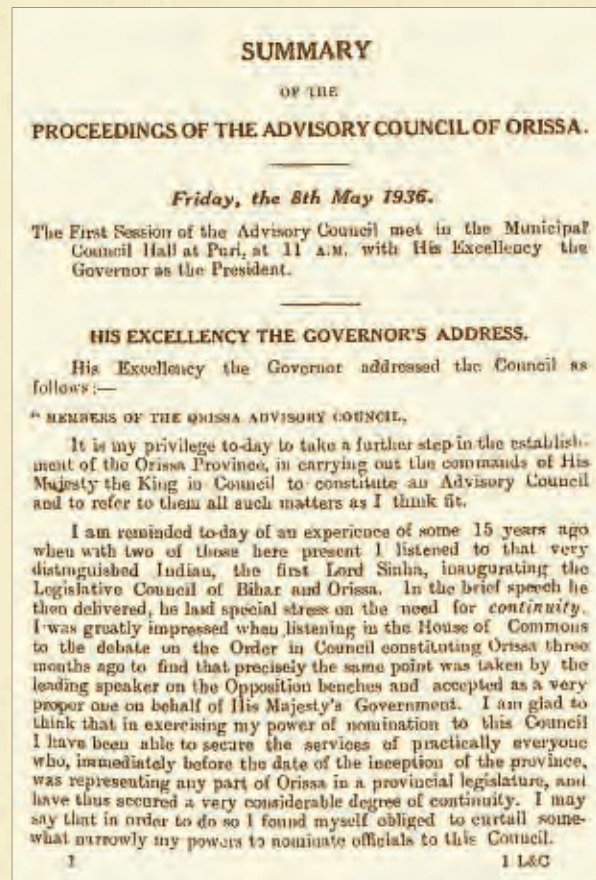


*Farewell to Oriya Members
in the Bihar and Orissa
Legislative Council*

²⁶ Bihar and Orissa Legislative Council Proceedings, Vol. XXIV, 28 March 1936, pp. 1471-1472.



Summary of the
Proceedings of the Orissa
Advisory Council



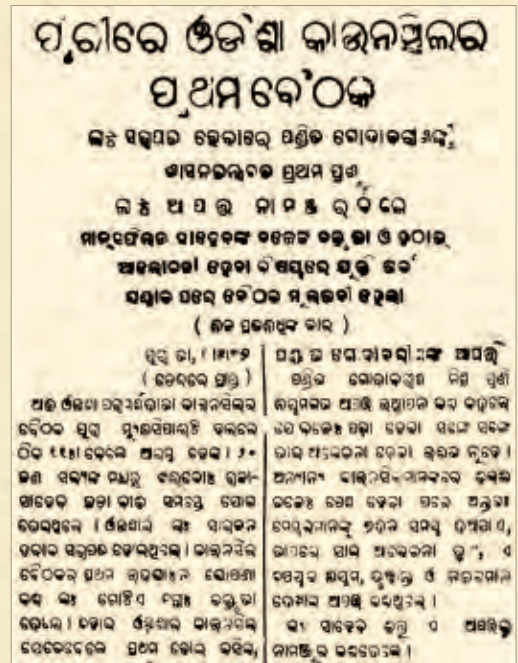
Orissa Advisory Council

Since there was no electorate in the new province, His Excellency had no mandate for initiating new policies and committing for the future Ministers. In these circumstances, His Excellency felt that it would be undesirable for him to permit a very wide range of discussions by way of resolution, where such discussion could not have any ramifications till the autonomy of the new province had new electorate. In terms of the provisions of Paragraph - 9 and 10 of the Government of India (Constitution of Orissa) Order, 1936, there was to be an Advisory Council to advice on all such matters as the Governor might refer to them.

His Excellency constituted the Orissa Advisory Council on 8th May 1936 as a further step in the establishment of separate province to carry out the commands of His Majesty the King. This would help in referring the commands of His Majesty to the Advisory Council.



Advisory Council Meeting at Municipal Council Hall, Puri, 1936



Constitution of Orissa Advisory Council on 8th May, 1936

Twenty members were sworn in the Advisory Council with His Excellency as President. Under rule 8 of the Advisory council, Rai Bahadur Laxmidhar Mohanti was nominated as Vice-President of the Council.²⁷

The First Session of the Advisory Council met in the Municipal Council Hall at Puri, with His Excellency, the Governor of new Orissa Province as the President. In the first session of the Council, His Excellency emphasized that any request to him would be referred to the Council for their advice.

His Excellency in his speech addressed, *“In the first place, I trust that it will give me the opportunity of close personal contact with some of those whom I expect to be in one way or another prominent in the affairs of the province during my term of office. Secondly, this Council is designated to give me advice and I have always found that the best channel for the reception of advice is the ear.”*²⁸

In accordance with Paragraph-12 of the Government of India (Constitution of Orissa) Order 1936, after the beginning of the financial year, the Governor was required to lay a statement with

²⁷ B. B. Jena, “Organization of the Government of Orissa”. *The Indian Journal of Political Science*, Vol. 24, No. 2, 1963, pp. 153-165.

²⁸ *Summary of the Proceedings of the Orissa Advisory Council*, May, 1936.

the estimated annual receipts and expenditure before the Advisory Council for general discussion. However, no item was to be submitted to the vote of the council. After the discussion, the Governor was to authenticate appropriations, and expenditure would be undertaken accordingly. It was also stated that if in any financial year further expenditures from the revenues of Orissa over and above the authorized expenditure became necessary, the Governor would lay a supplementary statement before the Advisory Council. Further, it was mandated that a Revenue Commissioner be assigned for Orissa for discharging such functions as the Governor with previous sanction of the Governor-General in Council from time to time assigned to him. Accordingly, the first budget of the new province was placed before the Advisory Council on 8th May 1936.

New Capital for the Province

The question of a new capital for Orissa was linked with the Oriyas' movement for a separate province. No sooner had the new province come to existence than the controversy on where to locate the capital city broke out. The most serious contenders for the position were Cuttack and Puri. Though Cuttack, the headquarters of Orissa Division was the centre of all cultural and political activities, it was found to be congested for a provincial capital because of its location between the Mahanadi and Kathjodi rivers. Puri was ruled out because of its religious character, which was considered incompatible with the secular character of new India.

Meanwhile, on 24th June 1933 the Government of India had constituted the Orissa Administrative Committee to investigate the administrative problems consequent upon the formation of a new province. The Committee chaired by Sir John Austen Hubback, recommended the retention of the provincial capital of Cuttack. Cuttack-Puri rivalry reappeared. The people and politicians from Southern Orissa demanded the shifting of capital towards South. In 1936, a team of experts, appointed by the Central Public Works Department, which was headed by an engineer, named F. T. Jones suggested for Rangailunda, a place near Berhampur town to be the site for the capital.²⁹

²⁹ A. C. Pradhan, "The New Capital at Bhubaneswar". *Odisha Review*, 2013, pp. 55-59.

In May 1937 the Government of Orissa appointed a Committee with I.R. Dain as the Chairman to prepare a feasibility report on the construction of capital. The Committee limited its feasibility report to four sites - Cuttack, Barang, Chaudwar and Puri.

On 24th September 1937, after much acrimonious discussion, the Legislative Assembly adopted the motion of Girija Bhusan Das for building the capital at Cuttack - Chaudwar, a suburb of the Cuttack Town, situated on the northern bank of the Mahanadi river. This decision could not be implemented for want of funds and lack of political will. In fact the Government of Orissa could not mobilize resources for building a bridge on the Mahanadi. The post-war reconstruction committee proposed Bhubaneswar as the ideal site for capital because of its history, availability of space and geographical propinquity to Cuttack.

The Public Works Department also reported in favour of Bhubaneswar on 14th April 1945 : “... *expansion of Cuttack ... does not (appear) very promising and it appears that going to Bhubaneswar for further expansion may be the best solution.*” Ultimately, the choice had to be made between the greater Cuttack and Bhubaneswar. When Harekrushna Mahatab became the Prime Minister after the Second World War on 30th September 1946, the motion was adopted in the house to shift the capital from Cuttack to Bhubaneswar. Finally, the capital shifted to Bhubaneswar in 1948.

While the Government of Orissa requested the Government of India to provide Rs. 2 crore for the capital construction, Liaquat Ali Khan, the Finance Minister in the interim Government gave a grant of Rs. 1.32 crore. To implement urban planning, in 1948, the Government of Orissa hired German Planner Otto Koenigsberger, to work as the town planner for the capital construction. On 13th April 1948, the foundation stone of the new capital was laid by Pandit Jawaharlal Nehru, the Prime Minister of India. The first assembly session was held at Bhubaneswar on 9th October 1949 after which it was held for three days from 10th -12th October 1949 at Cuttack.



Harekrushna Mahatab
(1899 - 1987)



Otto Koenigsberger
(1908 - 1999)

Merger of Garhjats

The 26 Orissa *garhjats* (feudatory states) with a total area of 28,656 square miles and a population of nearly five million remained outside the new province of Orissa. Of these, the Mayurbhanj garhjat was the largest, spread over an area of 4,243 square miles and Tigriria the smallest having an area of 47 square miles.

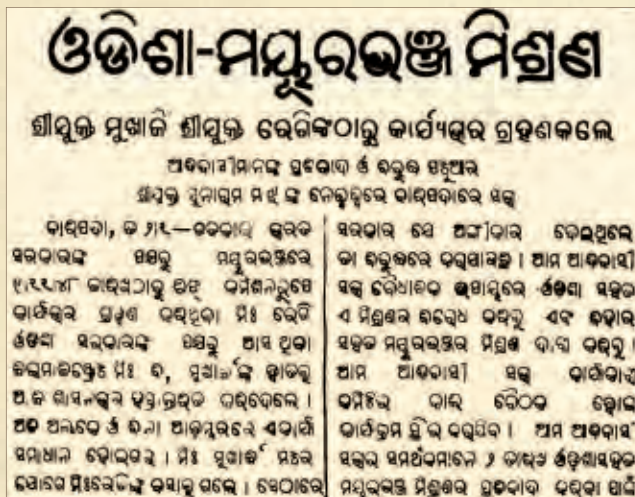
Orissa assumed its present shape after the feudatory states came to be amalgamated with it. In fact, the process of amalgamation of the states with the provinces started in Orissa almost immediately after the country achieved independence. The conflict between the king of a small feudatory state named Nilgiri near Balasore and the Prajamandal workers of his state led to chaos. The situation ran out of control of the ruler and the State found itself in the grip of widespread anarchy. After getting the nod of the Government of India, Orissa

*Sardar Vallabhbhai Patel's
visit to Orissa*



took over the administration of the feudatory state on 14th November 1947. Encouraged by the turn of events, Shri Harekrushna Mahtab, the Premier of Orissa, started persuading the rulers to see reason and cede their kingdoms to Orissa. Sardar Vallabhbhai Patel visited Cuttack on 13th December 1947 and discussed the matter with His Excellency the Governor of Orissa and the Premier of Orissa. He met the B and C class rulers in the morning, and A class rulers in the afternoon and appealed to them to voluntarily surrender the administration of their states to the Government. The sessions were attended by Shri Harekrushna Mahatab the Premier of Orissa, Shri V. P. Menon the Secretary of the Ministry of States, Shri K. V. K. Sundaram, the Secretary of the Ministry of Law, Shri V. Shankar the Private Secretary to the Minister of States, Shri N. Senapati the Revenue Commissioner of Orissa, Shri B. C. Mukherjee the Chief Secretary of Orissa and the Regional Commissioner for the Eastern States. After prolonged discussions and clarifications, an agreement was reached the next day. All the B and C class rulers who were present and seven out of the eleven A class states accepted the proposal and signed the agreement. The rulers of Athmallick, Bonai and Tigiria, who could not attend the meeting, and those of the three A class states namely, Nayagarh, Bamra and Keonjhar, signed the document later. All the states except Mayurbhanj were amalgamated with the

Mayurbhanj was integrated with Orissa



province by the end of the year. However, the states of Saraikela and Kharsawan were amalgamated with Bihar in May 1948. The Maharaja of Mayurbhanj took the position that he could not sign the agreement

without consulting the responsible government he had granted to his people. However, shortly afterwards, the Maharaja got disillusioned with the government he had put in place and wanted to hand over the state to the Dominion Government to ensure better administration. But he honoured the earlier commitment he had made to the people of his State. Ultimately, Sardar Patel sent for the Prime Minister of Mayurbhanj and others, and obtained their agreement to the proposal of handing over the State to the Government of India. The state of Mayurbhanj was amalgamated with Orissa on 1st January 1949. It was on this day that the modern political entity called Orissa took its present shape.

The Government of India set a Commission for the Reorganization of States known as the State Reorganization Commission (SRC) in 1955-56. The State Government then decided to put forth its legitimate demands for merger of outlying Oriya-speaking-tracts of Saraikela and Kharsawan in Bihar, other outlying Oriya tracts in Andhra in South and, in Madhya Pradesh in the west, with Orissa before the Commission. However, the SRC in their recommendations in 1956 rejected the demands of Orissa.

After the merger of the feudatory states, the area and population of Orissa increased substantially. It became necessary to reorganize the administration of the newly formed State. Consequently, Orissa was divided into thirteen districts. For the sake of administrative efficiency, these districts were split into thirty districts in 1993.

The State of Odisha

The modern State of Odisha is located between 17°-49' and 22°-34' North latitude and 81°-27' and 87°-29' East longitude. The State is bounded by the Bay of Bengal in the east, West Bengal in the north-east, Jharkhand in the north, Chhatisgarh in the west and Andhra Pradesh in the south. The territory may be divided into four distinct geographical regions: the Eastern Plateau, the Central River Basin, the Eastern Hill Region and the Coastal Belt. The entire territory lies in the tropical zone, as a result of which high temperature is recorded

during April-May. The sea exercises a moderating influence over the climate of the coastal belt whereas the hill tracts experience an extreme climate. The State is drained by six major rivers - Subarnarekha, Budhabalanga, Baitarani, Brahmani, Mahanadi and Rushikulya and their numerous tributaries and branches. The mineral belts lie in the western and north-western parts of the State. Covering an area of 155,707 sq. km, Odisha has a population of 4.19 crore (2011 Census), out of which more than 22 per cent are tribals who are concentrated in Mayurbhanj, Keonjhar, Sundargarh, Kandhamal and the undivided Koraput districts.

The name of the State was changed from Orissa to Odisha, and the name of its language from Oriya to Odia by the passage of the Odisha (Alteration of Name) Bill, 2010 and the Constitution (113th Amendment) Bill, 2010 in the Parliament. Lok Sabha passed the bill and amendment on 9th November 2010 and Rajya Sabha on 24th March 2011. The change came into effect from 1st November 2011.³⁰

The journey of the financial administration of Odisha since its formation as a separate province to the present day has been remarkable. This commemorative volume tries to capture this through the budgets of last eighty years highlighting the efforts made by the Government.

A befitting illustration of this development is evident in the transformation of Kalahandi district. Once a cradle of hunger deaths and starvation, this district is now the rice bowl of the State. Abundantly bestowed with natural resources, yet structurally buried in famines and underdevelopment, the area was a glaring example of the *paradox of plenty*. However, today Kalahandi is not only a food surplus district but also has risen out of abject poverty and shown substantial improvement in the health indicators. The turnaround is in fact attributed to the concerted efforts of the State Government to improve the living conditions in and around the district. With due assistance from the Centre, the State Government launched several development initiatives like the Long Term Action Plan, the Biju KBK Plan and the Backward Regions Grant Fund. Besides, the issues of starvation deaths and distress migration were notably allayed after the implementation of Upper Indravati Multipurpose Project.

³⁰ Ministry of Home Affairs, Notification No. G.S.R 791(E), The Orissa (Alteration of Name) Act, 2011 (Act No. 15 of 2011), 1st November 2011.

Having been looked down upon for its chronic backwardness in the past, the region has registered profound change with irrigation and improved farm output. This story of incredible transformation bears testimony to the commitment of Government for the welfare of its people.

In order to appreciate the journey of financial administration in Odisha, we must take a detour into understanding the initiation of the 'concept of Budget in India'. When the separate province of Orissa was created, India was still under the reigns of the British Rule. It would therefore be appropriate to give an account of the background of the developments in financial administration that took place in the country during the British period. The series of changes in the financial administration and systems that were introduced by the British, are particularly interesting. Some traditions stayed, some faded away. We delve into the backdrop of financial administration and systems during East India Company till the British Crown took over. This is followed by the events leading to the introduction of 'Budget' in India and the evolution of the Public Financial System.



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Government of Odisha

CHAPTER 2

Evolution of the Budgetary System and Inter-Governmental Fiscal Transfer Mechanism in India Since the British Rule



The financial system of a country alludes to its general economic condition. The financial system in India has undergone substantial transformation through the years. The system of public finance in India has a rich history that dates back to the pre-British era. In this chapter we trace the evolution of the Budgetary System, the Budgetary Process, the Review & Control Mechanism, Fiscal Devolution and Fiscal Sustainability in India.

Ancient literature is a repository of evidences that trace back to the existence of a financial administration and fiscal transfer system in India. Although not explicitly, but classical literatures like *Arthashastra* by Kautilya, *Rajtarangini* by Kalhana and anecdotal writings of many foreign travelers, speak of an elaborate and efficient classification of revenues, and allocation of those revenues.³¹

Kautilya's *Arthashastra* outlines the administration in the Mauryan period. It chronicles a skillfully articulated budget system with very detailed rules on maintenance, preparation, submission and scrutiny of accounts. At the beginning of every year, the Finance Minister would apprise on the opening balance of the Treasury, of all current expenditure including the ongoing capital projects along with the ones that had been completed. A tradition of keeping detailed statements of receipts, from all sources, as well as anticipated expenditure at the end of the year was adhered to. Accurate and comprehensive accounts were also maintained. Occasionally, plans comprising of proposals for profitable avenues of investment also featured in the budget. The treatise of *Arthashastra* gives a detailed account of all state activities and the role of the treasury in public welfare activities of the state. *Arthashastra*

³¹ B. Pal, "Ancient Coins of Orissa (6th Century B.C. - 6th Century A.D.)". *Orissa Review*, September 2004, pp. 23-28.

employs important concepts of business, accounting and auditing to present a treatise on statecraft and economic policy. Akin to the audit system of the present times, the Arthashastra illustrates that the entire Cabinet used to scrutinize the statement of revenues and expenditures. Besides, the Cabinet pronounced upon the accuracy, fullness and satisfactory nature of these statements.

Economic wealth is the mainstay of a successful state. *A kingdom's success is contingent upon a sufficient and reliable treasury, regards Kautilya.* Money is an indispensable instrument to deal with unforeseen circumstances. Without money best efforts could collapse and crumble. Thus, it was expected of a ruler to acquire wealth, secure acquisitions and augment these acquisitions within the ambit of justice and higher moral principles. Therefore, ensuring adequacy and safety in treasury resources was imperative. This naturally entails a clear annotation of concepts and principles of accounting and finance control.

Planning and budgeting, accounting principles and rules are the essential parts of the process. The book also illustrates the manner in which the accounting reports should be drafted. It suggests that the reports should be systematic, logical, relevant, lucid, understandable and verifiable. The system drawn in *Arthashastra* hinges on decentralization as the conduit of effective financial administration. Hence, the Mauryan period, an era of major development in Indian Administration, advocated the principles of decentralization.

A careful analysis and study of the inscriptions pertaining to the Chola Administration enables us to deduce that the administrative

system then was well-organized, highly systematized and thoroughly efficient at the Central and local levels. Agriculture and Mining were the backbone of the economy. Cattle-breeding was an important occupation. The king was the sole owner of all lands. Temples were endowed with land given by the king. The king gave land rights to the elite on payment. The cultivators could enjoy the cultivating right till their life time but they never had the selling right on the land. Land ownership was a royal and aristocratic prerogative. Understandably, a centralized structure of financial administration was followed during Chola Empire.

Likewise, the Mughal Administration upheld greater centralization without paying much interest to the welfare of the society. Land revenue was the major source of income. Todar Mal brought in reforms as in a standard system of land revenue collection that included survey and measurement of land, classification of land based on its fertility and fixing the rates. The Centre appointed the officials of provinces, sarkars and paraganas, making them directly responsible to the centre. Frequent tours were undertaken by the Central Officers, and the Emperor himself, in order to ascertain and ensure the efficiency of the local officials. Despite the creation of provinces for smooth administration, a rigid structure of centralized financial system was in vogue.

Although the financial administration of the ancient era makes for an engaging read, in the present chapter we outline the evolution of financial administration in India starting from the British era.

Section – I

Evolution of Budgetary System



The Financial System during the Company Rule (1773-1833):

The East India Company was essentially a merchant company and trade was its sole business. The charter granted by Queen Elizabeth I in 1600 had conferred on the company exclusive right of trading in India. It was only after having obtained the *Diwani* (rights over revenue and civil justice) of Bengal, Bihar and Odisha, that it transformed into a territorial power in 1765. Thereafter, the interests of territorial expansion gained centre-stage.³²

India of those times was divided into three presidency Governments - Bengal, Bombay and Madras - each administering its own territories and maintaining independent accounts in financial matters. The Company was required to maintain 'Territorial Accounts' and 'Commercial Accounts' separately in each Presidency.

However, there was no systematization in maintaining financial accounts by these Presidencies. In order to inquire into the financial matters of the Company, a Select Committee of Parliament was set up in 1772. Based upon the inquiry, the 'Regulating Act' was passed in 1773. The Constitution of the Company was modified along with an overhaul of its administration in India. The Governor in Council of Bengal was made the 'Governor General in Council'. He was to supervise the work of the governments of the other two presidencies. Subsequently, the Pitt's India Act of 1784 created a Board of Control to oversee the Indian Policy through the British Cabinet. This initiated the process of centralization which was further reinforced by the Acts of 1793 and 1813.

The Imperial System of Finance, 1833

The ultimate push in the direction of centralization was established by the Charter Act of 1833, wherein the Imperial system of Government was introduced. The Act entrusted the legislative power exclusively to the Governor General of India to usher in uniformity in place

³² B. D. Metcalf and T. R. Metcalf, *A Concise History of Modern India* (Second Edition). New York: Cambridge University Press, 2006, pp. 56-91.

of the multiplicity in the system of administration. It deprived the governors of Madras and Bombay of their legislative powers, making the Governor-General of Bengal, the Governor-General of India. The Act created a real 'Central' Government of India, which was to have authority over the entire territory possessed by the British in India.³³

The East India Company, thereafter, functioned as a purely administrative body. After 1833, the power of the Government of India grew considerably and came to be embodied in the 'Supreme' Government at Calcutta. The entire administration of India, general and financial, became centralized and the Presidency governments were reduced to mere administrative authorities.

The financial control of the Governor-General in Council over the whole of British India became legally complete in 1833. Finance was separated from commerce, and financial administration was improved. Thereafter, the revenues of India were dealt as a whole under the imperial control. The revenues were paid into the treasuries all over the country to the credit of the Governor-General in Council. The provincial governments acted only as agents of the Supreme Government with the former entirely dependent on the latter for allotment of sums for their expenditure.

Parliamentary Select Committee, 1852: Although the Governor-General in Council was expected to supervise the whole of the Indian Empire, the supreme Government that originated in the Bengal Presidency did not have the means to do so. The Council did not have representatives of the other Presidencies. Consequently, in the absence of local knowledge of the other Presidencies, the Governor-General's interference was petty and distressing. The accounts reflected neither economy nor efficiency.

The supremacy of Bengal resulted in inter-provincial jealousies. The central Government was also accused of administering the provinces with unequal treatment. A Select Committee was formed by the

³³ P. J. Thomas, *The Growth of Federal Finance in India: Being a Survey of India's Public Finances from 1833 to 1839*. London: Humphrey Milford, Oxford University Press, 1939, p. 12.

British House in 1852 to review the administration of the British territories in India. The officers of the East India Company put forth their experiences and evidences concerning the deleterious effects of financial centralization concentrated in Bengal.

A scheme of decentralization was suggested by the Committee in order to remedy the situation. The Presidencies were to be assigned a certain sum towards public work expenses so as to avoid delay in sanction of expenditure. It was acknowledged that the interest of the public would be better served if the Governor-General of the Presidency had the freedom in matters of internal administration.

The House however left the constitutional footing of the Provincial Governments unaltered. Rather, it suggested that the supreme Legislative Council should have representatives from the Presidencies of Madras and Bombay.

Flaws in the Imperial Financial System: Chronic deficits plagued the system pushing it over the edge of financial inadequacy. Although occasionally, the steadfastness of the Finance Ministers did result in prosperous times being ringed in, the overall financial picture painted, was one of entrenched deficits. Primarily, the flawed fiscal policies caused inadequacy in Imperial Finance.

In order to address the drawbacks in the fiscal policies, in the year 1843, a separate office in the name of Financial Secretary to the Government of India was created. This effected a separation of the Secretariat of Bengal from that of India. Thereafter, much needed reforms were introduced. Steps were taken for improving quality of expenditure, improving the inept system of audit & accounts and illogical taxation system. In the absence of a centralized system of audit and accounts and an appropriation budget to exercise control over expenditure against sanctioned grant, the desired improvements in the direction of economy in expenditure, rationalization of taxation and systematic financial management could not be made.³⁴

³⁴ P. J. Thomas, *The Growth of Federal Finance in India: Being a Survey of India's Public Finances from 1833 to 1839*. London: Humphrey Milford, Oxford University Press, 1939, p. 88.

Centralization of Government Finance – 1858

“The Mutiny passed over India like a whirlwind carrying destruction in its train; but it also swept away several systems and institutions which had outlived their usefulness. This was as true of finance as of any other field of administration. ... The Company had built up a financial organization suited to its commercial preoccupations, but when commerce receded into the background and politics came to the fore, the defects of the old system showed themselves. There was no proper budgeting of income and expenditure; the accounts were a mass of confusion; and the whole financial machinery broke down under the strain of the Mutiny. ... A new relationship with the Home Government was established, a new system of budgeting and accounting was adopted, the currency was placed on an improved footing and a new system of taxation was developed to meet the changing circumstances.”³⁵

The mutiny further aggravated the existing financial crisis. When the Crown took over the administration of India in 1858, nothing like a ‘budget’ existed, and the Company hardly followed any standardized system of accounting. The Company’s accounts of double entry were found to have many obsolete entries and irrecoverable balances. There was no unified Finance Department until 1858. Although, in the past, efforts had been made to introduce a regular budget system, the Board of Directors had objected to any drastic change. As a result, the revenues failed to keep up with the expenditures, and deficits accumulated. The situation was made worse by the abnormal expenditure involved in the mutiny.

Soon after, when the British Crown assumed authority, significant financial reforms were enforced. The Government of India Act, 1858 passed by the British House made provisions for a strong centralized Government in order to consolidate their hold over the territory. The British Queen appointed Governor General Lord Canning as the Viceroy – the representative of the Crown in India. The Viceroy exercised the executive authority of the Crown in India.

³⁵ Ibid., p 88

By Section 41 & 52 of the Government of India Act 1858, the expenditure of the revenues of India came under the control of the Secretary of State in Council, and no grant or appropriation of funds was to be made without his consent. Public revenues were also to be raised on his authority. Under Section 53, a Statement of Revenue and Expenditure of British India was to be laid before the House annually. In order to provide independent scrutiny, the Act ordained that an auditor of Indian Accounts should be appointed with control of his own staff. The Secretary of State was required by law to annually lay a 'Statement' of the position of Indian finances before both Houses. This provision in the Act necessitated the annual India Budget debate. It was not really a budget debate, because the House was not asked to approve the proposed expenditure, but was merely informed of the accounts of the last completed year and revised estimates of the current year. However, this annual debate gave the House an opportunity to review every aspect of Indian affairs.³⁶

The Government of India aimed at absolute control of the financial administration of the provinces in 1858. This was made possible through the rapid development of transport facilities, post and telegraph which enabled the Secretariat at Calcutta to efficiently supervise the administration of the far flung provinces.

A stronger hold over the provinces and their administration was a consequence of the introduction of a new financial system and the organization of the Indian Finance Department. The financial supremacy of the central Government was made complete by appointing a Finance Member to the Governor-General's Council in order to frame the budget system in India.

The Evolution of the Budget System

James Wilson (3rd June 1805 – 11th August 1860) a Scottish banker, economist and a renowned politician was appointed as the Financial Member of the Council of India in August 1859. He is considered as

³⁶ Ibid. pp. 88

the Father of Indian Budget System. He also founded 'The Economist' weekly and the Chartered Bank of India, Australia and China, which merged with the Standard Bank in 1969 to form the 'Standard Chartered Bank'. He is credited with the introduction of Income Tax, Paper Currency and remodeling of India's financial system.

Wilson was convinced that the Government had overborrowed in the past. He suggested that an increase in taxation and drastic retrenchment could alone lead to financial equilibrium. Wilson established the Budget System in India. The Legislative Council was henceforth required to arrange, contemplate and approve the financial estimates of each year before the year began. The Financial Resolution of 7th April 1860 provided the details of budget formulation and approval process. On 18th February 1860, James Wilson presented the First Indian Budget.

He held that in a vast country like India with multiple provincial governments, framing the estimates of income and expenditure before the commencement of the year would be advantageous. The Indian system was based on actual revenues to be received and expenditures to be incurred. The process of ascertaining these numbers was however slow, given the vastness of the country.

The Indian budget for the ensuing year was formulated before the close of the current financial year which did not take into account the results of the completed year. Thus, three Statements were required in the Indian budget - i) Budget Estimate for the ensuing year, ii) Revised Estimate of the expiring year and iii) the Actuals of the previous year. In case of Great Britain and other western countries there had not been any need for the revised estimate as budget was formulated after the close of the financial year. In this connection, it would be apt to quote Lord Mayo, "*Account is a record of fact, estimate is a matter of opinion and forecast; there is as much difference between an account and an estimate as there is between a good eight days clock and the divine rod of magician. An American humorist Mr. Artemus Ward, gave very sound advice to his disciples when he said: 'Never prophesy unless you know.' Now, unfortunately, my Honourable*



James Wilson
(1805 - 1860)

friend [the Finance Member] is obliged to prophesy when he does not know, when he cannot know and when no one else knows.”

The authority of the Financial Member was circumscribed by the overarching powers of the Viceroy whose support was needed for effective functioning of the Financial Member.

Meanwhile, as a part of the ongoing reforms, the Indian Council Act 1861³⁷ was passed. Section 1 of the Act restored the legislative powers of the provincial governments, which had earlier been curtailed through the Charter Act of 1833. Through the Act, the provinces were empowered to make laws and resolutions for the peace and good governance of their respective territories.³⁸

THE INDIAN COUNCILS ACT (1861.)

An Act to make better Provision for the Constitution of the Council of the Governor-General of India, and for the Local Government of the several Presidencies and Provinces of India, and for the temporary Government of India in the event of a Vacancy in the Office of Governor-General.

[1st August 1861.]

WHEREAS it is expedient that the provisions of former Acts of Parliament respecting the constitution and functions of the Council of the Governor-General of India should be consolidated and in certain respects amended, and that power should be given to the Governors in Council of the Presidencies of Fort Saint George and Bombay to make laws and regulations for the government of the said Presidencies; and that provision should be made for constituting the like authority in other parts of Her Majesty's Indian dominions: Be it therefore declared and enacted by the Queen's most excellent Majesty, by and with the advice and consent of the lords spiritual and temporal, and commons, in this present Parliament assembled, and by the authority of the same, as follows:

1. This Act may be cited for all purposes as "The Indian Councils Act, 1861."

2. Sections forty, forty-three, forty-four, fifty, sixty-six, sixty-seven, and so much of sections sixty-one and sixty-four as relate to vacancies in the office of ordinary member of the Council of India, of the Act of the third and fourth years of King William the Fourth, chapter eighty-five, for effecting an arrangement with the East India Company, and for the better Government of Her Majesty's Indian territories, till the thirtieth day of April, one thousand eight hundred and fifty-four, sections twenty-two, twenty-three, twenty-four, and twenty-six of the Act of the sixteenth and seventeenth years of Her Majesty, chapter ninety-five, "to provide for the Government of India," and the Act of the twenty-third and twenty-fourth years of Her Majesty, chapter eighty-seven, "to remove doubts as to the authority of the senior member of the Council of the Governor-General of India in the absence of the president," are hereby repealed; and all other enactments whatsoever now in force with relation to the Council of the Governor-General of India, or to the Councils of the Governors of the respective Presidencies of Fort Saint George and Bombay, shall, save so far as the same are altered by or are

*The Indian Councils
Act (1861)*

³⁷ It restored the Legislatures to Madras, Bombay, and Bengal.

³⁸ Under the Indian Council Act, 1861, the previous sanction of the Governor General was made requisite for legislation by the local Councils in certain areas and all Acts of the local Council required the subsequent assent of the Governor General in addition to that of the Governor.

However, the Act was considered retrograde as it did not bestow on the legislative councils the right of either asking questions or deliberating on policy matters. The council's role was only advisory in nature. Section 38 precluded introduction of any measure affecting the public revenue of the presidencies. No discussions on financial matters were encouraged. The friction between the centre and the provinces continued.

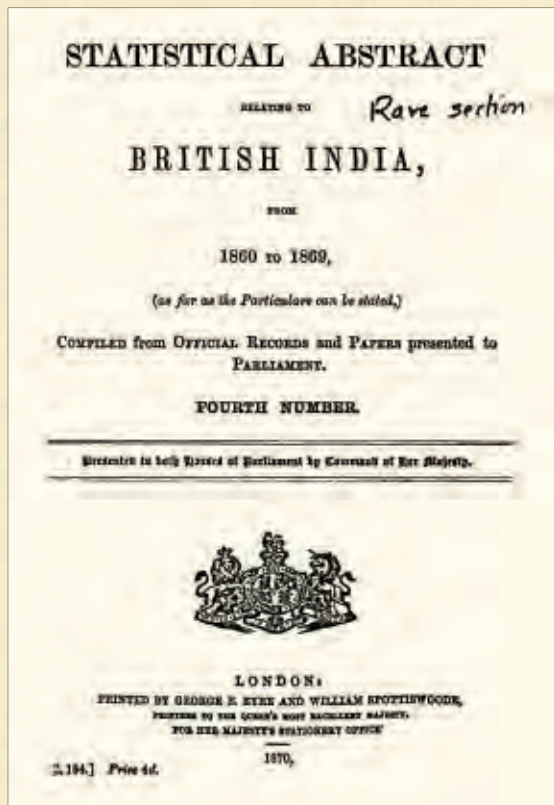
Proposal for a Scheme of Federal Finance

Since the financial centralization under the new regime had resulted in frequent conflict between the central Government and the provinces, the proposal for federal finance was mooted. Before the proposal for federal finance, the provincial governments were only entrusted with the collection of revenues on behalf of the central Government. These revenues went to a common fund. The only motive the provincial governments had was to get the largest share of the fund. Centralization of finances thus burdened the Finance Department, because it was the responsibility of the central Government to raise the revenues for the demands of the provinces. The provinces, free from the responsibility of maintaining their purse, showed no interest in economizing their expenditures. Thus, more often than not, the Financial Members vehemently criticized the centralized system of finances.

Although James Wilson had drawn up a scheme for enlarging the powers of the provincial government, he did not live to see it through. It was his successor Samuel Laing, who insisted that devolution of powers to the provincial governments was indispensable. In his budget speech in 1862, he asserted – *'I am as strong as ever in favour of the principle of local taxation for local objects'*. He suggested that the provinces raise revenues through fresh taxation for meeting provincial needs. This was to be the foundation of provincial budgets and more taxes would be added afterwards. However, Laing's scheme could not make any headway.

Laing's successor William Massey was also convinced of the futility of the imperial Government in managing the whole of the finances

of India. As the financial position of the Government continued to be unsatisfactory, Massey put forward another scheme of decentralization in January 1867. The details of the plan were worked out by Richard Strachey, who had in the meantime become an ardent advocate of decentralization. The new scheme was one of federal finance, and it evoked a keen controversy throughout the country. Strachey's note of 17th August 1867 was the first and the most complete description of the scheme. His main idea was a gradual federalization of the Indian financial system. He argued that 'the old rigorously centralized system of finance had shown the most unmistakable signs of its incompatibility with the existing state of things', and suggested as a remedy that so far as practicable 'the entire revenues and expenditure should be placed on the local Governments'.³⁹



*Statistical Abstract
Relating to British India
from 1860 to 1869*

In a striking minute of 1868, Lord Napier, Governor of Madras, made a searching analysis of the merits and demerits of federalism for India. In his opinion, an imperial system was preferable to a federal system, in the circumstances of the time. But if a federal system were preferred, it could not be secured by the 'partial' proposals of Massey. Parliament would have to move and a congress be called in India with representatives from the provinces. But if finance were thus federalized, administration had also to be federalized. He had no faith in half-measures and therefore opposed the Massey scheme and the proposals.⁴⁰ Therefore, federalism was then premature for India. Thus, early proposals for federal finance failed.⁴¹

The Statement of Revenue and Expenditure of the provinces in British India for the year 1860-69 were published in the Statistical Abstract relating to British

³⁹ P. J. Thomas, *The Growth of Federal Finance in India: Being a Survey of India's Public Finances from 1833 to 1839*. London: Humphrey Milford, Oxford University Press, 1939, p. 157

⁴⁰ *Ibid.*, p. 163

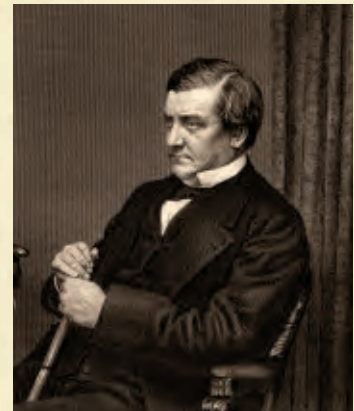
⁴¹ *Ibid.*, p. 165

India, compiled from the official records and presented to the British Parliament. This abstract illustrates the change of the budget year end from 30th April to 31st March in 1867. It is also indicative of the change over to the 'Centralization of Government Finances' introduced in Government of India Act 1858.

The System of Provincial Finance

Lord Mayo's Reforms: The finances showed no signs of improvement. Excessive centralization had resulted in the derangement of Government Finances. Budgets which had estimated huge surpluses actually closed with enormous deficits.

However, as fate would have it, the dreams of Laing and Massey came true at the hands of the new Viceroy of India, Lord Mayo, in 1870. Realizing the seriousness of the situation, he resorted to cutting down of expenditure and imposed additional taxation. Soon after, he



Lord Mayo
(1822 - 1872)

The Provincial Finance System, 1870

IMPERIAL ASSIGNMENTS FOR 1871—72 ¹									
	Oudh.	C.P.	Bt. Burma.	Bengal.	N.W.P.	Punjab.	Madras.	Bombay.	Total.
	£	£	£	£	£	£	£	£	£
Assignment as per Resolution of December 14, 1870	169,355	205,271	192,488	1,176,408	613,095	463,727	643,271	707,693	4,171,306
Add—									
Official Postage	1,551	5,093	—	4,593	10,840	8,031	4,163	4,311	38,882
Transfer from Medical Services	2,139	1,767	745	6,649	5,624	2,828	7,597	5,500	35,849
Transfer of petty construction and repairs of Civil Buildings	699	1,778	420	6,508	2,555	1,908	1,050	4,050	18,968
Other items net	—	—	—	7,860	1,485	—	—	4,600	13,753
					833,699				4,278,758
Deduct—									
Transfer of Ajmere charges to Government of India	—	—	—	—	28,714	—	—	—	28,714
Total	173,744	213,969	193,553	1,202,124	604,885	476,494	656,081	729,154	4,250,044
Deduct—									
Receipts per budget of 1870-1	14,723	24,020	28,591	280,578	100,082	87,418	81,810	85,288	642,417
Net charge in Civil Department	159,021	189,889	166,062	941,546	494,803	409,076	574,271	673,889	3,607,627
Add budget grant for P.W. as per Res. of 14-12-1870, viz—									
Roads and miscellaneous public improvements	32,900	63,403	63,100	167,800	82,636	84,200	23,880	121,900	729,819
Civil Buildings	20,090	14,406	23,959	111,370	63,341	39,710	59,506	107,500	438,882
P.W. Establishments	13,777	20,230	22,635	89,984	37,954	32,217	47,421	49,844	303,862
Tools and Plants	1,080	1,656	1,741	5,383	2,920	2,478	3,648	4,588	23,374
Total public works	67,827	99,595	111,435	344,637	186,851	158,805	233,455	283,832	1,495,937
Grand total	226,848	299,484	276,497	1,286,082	681,744	567,681	807,726	967,501	5,103,584
Deduct—									
Proportion of £350,000	15,557	19,853	—	88,199	45,753	36,931	55,394	66,351	331,038
Revised permanent assignment	211,281	269,631	276,497	1,197,884	634,991	528,750	752,332	901,150	4,772,528
Or in round numbers	211,300	269,600	276,500	1,197,900	635,000	528,800	752,300	901,200	4,772,600
* Add—India	—	—	—	—	—	—	—	—	26,700
									Total 4,799,300

¹ Based on the Fin. Dept. Resolution No. 1660 of March 20, 1871.
² The item opposite to "India" in the above table is for the Calcutta University and for Prov. services (not including Public Works) in Coorg, Ajmere and other districts under immediate administration of the Government of India.—Sir Richard Temple's Financial Statement for 1871-2.

Source: *The Evolution of Provincial Finance in British India*, B.R. Ambedkar, 1925, Page.60.

initiated the first successful measure of decentralization: transfer of certain administrative services to the provinces. The provinces were to be allotted fixed assignments to meet these charges.⁴²

The Provincial Financial System: On 14th December 1870, the Government of India published a resolution which conveyed the details of the proposed system which was based on provincial assignments. The Resolution lay down that the Governor-General in Council would maintain fixed assignments or “Provincial Services”, which could not be altered without prior consultation with the provincial governments. The latter, in turn, had to frame local budgets on the basis of these assignments and allocate these

Provinces wise Assignments for Services

Assignments made to Provincial Governments for services incorporated into their Budgets by the Financial Resolution No. 3334 dated December 14, 1870.

Services incorporated into Prov. Budgets.	Imperial Assignments for Services.								
	Oudh.	C.P.	Bt. Burma.	Bengal.	N.W.P.	Punjab.	Madras.	Bombay.	Total.
	£	£	£	£	£	£	£	£	£
Jails . . .	26,922	27,881	32,777	218,210	88,394	58,204	91,983	73,440	617,811
Registration	—	3,509	—	36,009	20,129	11,623	22,970	25,372	120,212
Police . . .	103,289	130,807	139,353	555,757	348,135	289,950	350,730	388,703	2,308,409
Education .	26,056	27,864	10,998	234,385	103,528	64,909	90,052	118,271	676,063
Medical services (except Medical establishments)	5,049	11,770	6,460	89,713	27,607	24,935	61,896	74,852	302,532
Printing . .	7,609	3,640	3,000	41,732	29,302	14,106	25,840	27,050	148,279
Roads and misc. public improvements	32,900	63,403	63,000	167,800	82,636	84,200	123,880	121,900	729,819
Civil buildings	20,090	14,406	23,959	111,370	63,341	39,710	58,606	107,500	438,882
Public Works Establishments	13,777	20,230	22,635	69,984	87,954	32,217	47,421	59,644	309,862
Tools and Plant .	1,060	1,556	1,741	5,383	2,920	2,478	3,648	4,588	23,374
Total .	237,182	304,860	303,923	1,520,943	799,946	622,332	876,726	1,001,320	5,667,243
Estimated Receipts of the Services.									
Jails . . .	1,575	6,000	9,420	110,385	11,154	—	7,300	664	146,498
Registration	—	5,600	—	40,000	35,030	20,694	34,000	30,141	165,356
Police . . .	10,586	12,520	18,671	70,363	51,730	41,724	32,350	14,000	251,944
Education .	1,482	—	600	42,012	11,050	5,000	6,900	10,480	77,434
Printing . .	1,080	—	—	2,000	2,160	—	1,260	—	6,500
Total .	14,723	24,020	28,691	264,760	111,124	67,418	81,810	55,285	647,731
Grand total of net assignments	222,459	280,840	275,332	1,256,183	688,822	554,914	794,916	946,040	5,019,512

Constructed on the basis of figures given in the Resolution of December 14, 1870.

Source: *The Evolution of Provincial Finance in British India*, B.R. Ambedkar, 1925, Page.58.

⁴² Ibid., p. 168

assignments between various services. This system heralded the commencement of Provincial Budgets. Deficits if any were to be met through additional assignments from the imperial treasury. This scheme came to be known as the Budget by Assignments.

The budgets of the provinces were to be published in the local Gazette for general information, and a financial exposition was to be made before the local Legislative Council. The Assignments made to the Provincial Governments for the services that were incorporated into their budgets by the Financial Resolution No. 3334 dated 14th December 1870 were published in the Gazette.

A separate budget was formulated for each province, and the services handed over ceased to be mentioned in the imperial budget. The disappearance of the transferred subjects from the central budget created misgivings in the minds of people, and in 1873 the Provincial Budgets were appended to the Imperial Budget.⁴³ The Budgets were published in the Gazette. One of the underlying objectives of the Resolution of 1870 was to give some responsibility to the Provincial legislatures by creating separate Provincial Budgets.

As with any reform, Mayo's Scheme of 1870 also was subject to harsh criticism from the perspective of the proponents of both the imperial and the provincial systems. The imperialists argued that the new scheme would result in diminution of the powers of the Centre besides encouraging extravagance in the local Governments. The move was too radical from their perspective. Alternatively, the provincialists claimed that the move was conservative in the fact that assignments were inelastic and the restrictions imposed upon the provinces were exceedingly harsh and inconvenient.

Nevertheless, the scheme rescued the finances from a state of chronic deficit, moving towards considerable financial equilibrium. Decentralization of finance succeeded in relieving the central finances, bringing economy in the system and resulted in greater harmony between the central Government and the provinces. What

⁴³ Ibid., p. 172

Lord Mayo managed to achieve in the short period of three years of his Viceroyalty was way more than what most Viceroys managed to achieve in five years.

Enlarging the Financial Power of Provinces

In 1872, Sir John Strachey suggested that some heads of receipts be transferred to the provincial governments to meet the charges transferred to them. Although, the revenues were being collected by the provincial governments, they had little interest in fostering them. Strachey wrote, “*Real financial responsibility in the provinces needs that they should be given a stimulus for administering revenue collection properly*”. He suggested that additional items be incorporated in the provincial budgets along with handing them some expanding revenues in order to meet the growing charges.

Sir Richard Temple’s examination of the budgets from 1861-72 revealed that a series of six years constituted a cycle in Indian Finance. In this cycle, the budget would typically balance. In the period 1860-66, the first three years ran into deficits followed by surplus in the succeeding three years. Similar was the case during the cycle 1866-72. However, the subsequent experience in Indian Financial System did not conform to this periodicity.

Lord Lytton’s Reforms, 1877: The system of budget by assignments was rigid; the outlay on the services to be managed by the provincial governments kept expanding, while the assignments made to them remained fixed in amount. Sir Strachey had long held the view that for as long as the provinces collected revenues for the Government of India, they would not care to check evasion. On the other hand, they would have surely checked it, if they had collected them for their immediate benefit. Lord Lytton strongly supported the proposals of Strachey and defended them in his speech before the Legislative Council in 1877.⁴⁴

⁴⁴ Ibid., p. 200

Subsequently, the system of budget by assignments was changed to a system of Budget by Assigned Revenues. More departments were transferred to the provincial management; and certain minor heads of revenues were also transferred to meet the expenditure on them. Since the provincialized receipts did not meet the whole expenditure on the transferred heads, the old system of assignments co-existed.

In 1877, Sir John Strachey put forth proposals for instituting a Famine Insurance Fund and the provision for the same was made in the budget of 1878-79.⁴⁵

The Settlement of 1882: The inadequacies of the financial arrangements made in 1877 soon became proverbial. The scanty revenues transferred to the provincial governments failed to meet the expenditures. The bulk of the expenditure had to be met by lump

Budget by Assigned Revenues for Bengal Presidency

Heads of Revenues.	Esti- mated Yield in 1876-7.	Estimated Yield at the assumed Rate of Growth.				
		1877-8.	1878-9.	1879-80.	1880-1.	1881-2.
		Rs.	Rs.	Rs.	Rs.	Rs.
IV Excise in spirits and drugs	6,300	6,400	6,500	6,600	6,700	6,800
VI Customs (see, Customs Misc. and Warehouses and Wharf rents) . . .	3,600	3,600	3,600	3,600	3,600	3,600
VII Salt (Rents of Ware- houses, fines and for- feitures and misc.) . .	220	220	220	220	220	220
IX Stamps	10,300	10,575	10,850	11,125	11,400	11,675
XIII Law and Justice . .	1,091	1,084	1,084	1,084	1,084	1,084
XIV Marine (pilotage re- ceipts, registration and other fees and misc.)	771	792	792	792	792	792
XVI Misc. (all except pre- mium on bills, unclaimed bills, and any unenu- merated item exceeding Rs. 10,000)	—	—	—	—	—	—
Total	—	22,671	23,076	23,421	23,596	24,171

Compiled from statements in the *Gazette of India* referred to above.

*Budget by Assigned Revenues
for Bengal Presidency*

Source: The Evolution of Provincial Finance in British India, B.R. Ambedkar, 1925, Page.87.

⁴⁵ Ibid., p. 203

sums assigned by the Government of India. The provinces developed direct interest only in the revenue heads transferred to them. They could not be expected to foster all revenues equally. They had no share in the land revenue, which was the largest source of revenue in India, and they had no interest in fostering it. Thus it was held that they should be given some share in the more important branches of revenue, to create in them an interest in fostering all revenues.



Lord Ripon
(1827 - 1909)

The remedy was devised by Sir John Strachey but the practical application was credited to Lord Ripon and his Financial Member Major Evelyn Baring. Sources of revenue that were earlier classified as 'wholly provincial' and 'wholly imperial' were to be classified as Provincial, Imperial and Divided, hereafter. The revenues from the 'Divided' heads were to be shared between the imperial and provincial governments in a certain ratio. This system came to be known as the system of Budget by Shared Revenues.⁴⁶

The total increase in the revenues of the provinces in 1891-92 as compared with the estimate for the contracts of 1887-88 to 1891-92, on account of implementation of the Budget by Shared Revenues, amounted to £2,042,700.

Nevertheless, difficulties in adjustment of the budgets continued to remain because the expenditure incurred by the provinces outstripped the revenues assigned to them. To remedy this concern, instead of fixed assignments a fixed percentage of land revenue, which was earlier only Imperial in nature, was given to the provinces.

Thus the provincial governments were involved in the 'divided heads' raised within their jurisdiction in addition to the sources of revenue under the 'provincial heads'. The settlement brought about the integration of the financial interests, both central and provincial. Together they shared not just the revenue receipts but also the expenditure on certain heads.

⁴⁶ B.R. Ambedkar, "The Evolution of Provincial Finance in British India", P.S. King & Son, Ltd., 1925, pp.96

Unlike the annual revisions of the Provincial Financial Settlements enacted thus far, the revisions under Lord Ripon's scheme were to be made after the expiry of five years. These settlements were quinquennial in nature. Lord Ripon's scheme was a historical landmark in decentralization. Perhaps the origin of resource sharing under

Budget by Shared Revenues in 1882

BUDGET BY SHARED REVENUES **113**

Province.	Increase of Revenue in 1891-2 (Revised Est.) as compared with the Estimate for the Contract of 1887-8 to 1891-2.	Amount resumed by the Government of India.
	Rs.	Rs.
C.P.	119,200	22,700
Lower Burma	334,900	58,900
Bengal.	517,700	51,900
N.W.P. & Oudh	53,300	56,900
Punjab	195,400	41,000
Madras	313,200	103,800
Bombay	399,200	131,100
Assam	99,800	—
Total	2,042,700	466,300

Source: The Evolution of Provincial Finance in British India, B.R. Ambedkar, 1925, Page. 113.

different heads under the Constitution of India can be attributed to Ripon's Scheme.

Subsequently, the Indian Councils Act 1892 was passed. The objective of the Act was to widen and expand the functions of the Government of India and to give to the Indians a greater role to play in the works of the Government. The Act enlarged the size of the Provincial Legislatures and initiated the principle of election, albeit indirectly. Section 2 of the Act, for the first time, enabled the Legislative Councils to discuss the Annual Financial Statement in the Centre as well as the Provinces. However, it did not grant them any control over the budget. Thus the Act left the Indians with no real voice in the administration of their country. Although the Act of 1892 made significant advance over the Act of 1861, the expansion being merely illusionary fell far short of the demand of the Indian National Congress. Indian Nationalism continued to strengthen in the background.

THE INDIAN COUNCILS ACT (1892.)

An Act to amend the Indian Councils Act, 1861.

20th June, 1892.

BE it enacted by the Queen's Most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows :—

1. (1) The number of additional members of Council nominated by the Governor-General under the provisions of section ten of the Indian Councils Act, 1861, shall be such as to him may seem from time to time expedient, but shall not be less than ten nor more than sixteen; and the number of additional members of Council nominated by the Governors of the presidencies of Fort St. George and Bombay respectively under the provisions of section twenty-nine of the Indian Councils Act, 1861, shall (besides the Advocate-General of the presidency or officer acting in that capacity) be such as to the said Governors respectively may seem from time to time expedient, but shall not be less than eight nor more than twenty.

Provisions for increase of number of members of Indian Councils for making laws and regulations.

24 & 25 Vict, c. 67.

(2) It shall be lawful for the Governor-General in Council by proclamation from time to time to increase the number of Councillors whom the Lieutenant-Governors of the Bengal Division of the presidency of Fort William and of the North-Western Provinces and Oudh respectively may nominate for their assistance in making laws and regulations: Provided always that not more than twenty shall be nominated for the Bengal Division, and not more than fifteen for the North-Western Provinces and Oudh.

(3) Any person resident in India may be nominated an additional member of Council under sections ten and twenty-nine of the Indian Councils Act, 1861, and this Act, or a member of the Council of the Lieutenant-Governor of any province to which the provisions of the Indian Councils Act, 1861, touching the making of laws and regulations, have been or are hereafter extended or made applicable.

(4) The Governor-General in Council may from time to time with the approval of the Secretary of State in Council, make regu-

Financial Settlement of 1896-97: During the period 1892-93 to 1896-97, the government briefly reverted to the system of budget by fixed assignments. Furthermore, the financial arrangements were considerably disturbed due to the spread of plague and famine. This financial depression of the time was resolved to a certain extent in the revised settlements of 1896-97. The revised settlement increased the share of the provinces.

Financial settlement of 1896-97 (Budget by Fixed assignments)

Provinces.	Standard Net Expenditure.		Increase per cent.
	1892.	1897.	
	Rs.	Rs.	
Central Provinces	653,300	710,700	8.8
Lower Burma	1,064,600	1,206,100	13.3
Assam	467,600	564,900	20.8
Bengal.	2,816,700	3,125,500	10.9
N.W.P.	2,215,400	2,428,700	9.6
Punjab	1,384,600	1,537,300	11.0
Madras	2,054,800	2,238,600	8.9
Bombay	2,049,500	2,544,100	5.6
Total	13,066,500	14,355,900	9.9

Source: *The Evolution of Provincial Finance in British India*, B.R. Ambedkar, 1925, Page.115.

However, the whole system of provincial contracts had become unpopular by then. The provincial governments complained of the greed of the central exchequer, which had resorted to

periodical resumptions of provincial balances to the central treasury. In reality, the resumptions were not due to the greed on the part of the Government of India, but because of the financial embarrassments to which the Government was liable. Nevertheless, the central Government altered and reformed the contracts at their discretion. This demoralized the financial administration of the provincial governments.

The provinces could not reap the benefits of their efforts in fostering and economizing the revenues. They claimed that the expanding revenues of the country failed to adequately fill their provincial treasuries, and the scheme of things was unfair to the provinces. Soon there were demands for doing away with the 'divided' heads. They demanded a clear division between central and provincial revenues.

However, this scheme had to wait for twenty years before it could materialize.

Quasi-Permanent Settlement – 1904: The quinquennial settlements encouraged parsimony in the first few years and extravagance in the later part of the five year period. To resolve the defects existing under the quinquennial arrangements, Lord Curzon drew a scheme of Quasi-Permanent Settlements. On account of the central Government's revenues having improved, the Government of India in 1904 entered into contracts on a more stable footing. Henceforth, the contracts were to remain unaltered, except when it was found that the financial results were unfair to a province or to others by comparison or to Government of India when it was confronted by an extraordinary calamity. Owing to this proviso, their settlements were termed as quasi-permanent.⁴⁷

⁴⁷ *Report on Indian Constitutional Reforms*. Calcutta: Superintendent Government Printing, 1918, Para 107.

Quasi-permanent Settlement, 1904

STANDARD REVENUES AND EXPENDITURE				
(in thousands of rupees).				
Province.	Expenditure.	Revenue.		
		Revenues.	Assignments.	Total.
Madras	3,50,48	2,90,82	5,966	3,50,48
Bengal	4,98,87	4,49,84	4,903	4,98,87
U.P.	3,66,64	3,62,64	400	3,66,64
Assam	72,07	60,07	1,200	72,07

Source: *The Evolution of Provincial Finance in British India*, B.R. Ambedkar, 1925, Page.124.

Province.	Expenditure.	Revenue.		
		Revenues.	Fixed Assignments.	Total.
	Rs.	Rs.	Rs.	Rs.
Bombay	4,91,75,000	4,48,98,000	42,77,000	4,91,75,000
Punjab	2,49,50,000	2,46,50,000	3,00,000	2,49,50,000

Source: *The Evolution of Provincial Finance in British India*, B.R. Ambedkar, 1925, Page.126.

Province.	Expenditure.	Revenue.		
		Revenues.	Assignments.	Total.
	Rs.	Rs.	Rs.	Rs.
C.P.	1,76,43,000	1,49,36,000	27,07,000	1,76,43,000
Eastern Bengal and Assam	2,12,19,000	2,18,42,000	6,23,000	2,12,19,000
Bengal	4,72,73,000	4,67,01,000	5,72,000	4,72,73,000

Source: *The Evolution of Provincial Finance in British India*, B.R. Ambedkar, 1925, Page.127.

The principles underlying this scheme were –

a) the revenues assigned to the province should bear the same ratio to the provincial expenditure as the imperial revenue to the imperial expenditure; b) the provinces should be given a permanent interest in their revenues and expenditures; and c) the provincial assignments should include a slightly larger share of the expanding revenues.

The deficit in the provincial account was to be made good by a fixed assignment from Land Revenues.

The Quasi-Permanent Settlement gave the provinces a more independent position and a more enduring interest in the management of their resources than had previously been possible. They were no longer exposed to the risk and uncertainties of an unfavorable settlement at the end of every five years, as under the previous quinquennial settlements.

Morley-Minto Reforms in India (1909): After Lord Curzon left India, the tension between the central Government and the provinces escalated again. The latter repeatedly complained of the high-handedness of the former in the matters of the provinces. Before



John Morley, 1st Viscount Morley of Blackburn (1838 - 1923)



Gilbert John Elliot-Murray-Kynynmound, 4th Earl of Minto (1845 - 1914)

Viceroy Lord Minto could appoint a departmental committee to enquire into provincial Governments' administrative and financial relations with the Government of India, a Royal Commission on Decentralization was appointed in England in 1907 for the same purpose. This period coincided with the Liberals being elected to the Government in England. The liberals were believers of the policy of decentralization. Lord Morley, the new Secretary of State to India, was an exponent of this policy too.

The commission recommended relaxation of control exercised by the higher authorities and the simplification of administrative methods, while stating that they were 'generally satisfied' with the financial relations existing between the two. A gradual abolition of 'divided' heads of revenue was also recommended. They suggested that the powers of the provincial sphere be enlarged.

In the meantime, Morley-Minto Reforms, embodied in the Government of India Act, 1909 increased the number of elected members in the Imperial Legislative Council and the Provincial Legislative Councils. In the Provincial Councils, non-official majority was introduced, but since some of these non-officials were nominated and not elected, the overall non-elected majority remained. The powers of legislatures, both at the centre and in provinces, were enlarged and the legislatures could now pass resolutions (which may not be accepted), ask questions and supplementaries, vote separate items in the budget, but the budget as a whole could not be voted upon. One Indian was to be appointed to the Viceroy's Executive Council. Satyendra Sinha was the first to be appointed in 1909.

The Reforms did not in any way loosen the rigid control of the centre. In a dispatch to the Secretary of State, the Governor-General in Council expressed his anxiety over the bickering between the central and provincial governments. Anxious to improve the financial relations between the two, the Government of India asserted that advancing greater permanency to the settlements was the only way forward.



Satyendra Sinha
(1863 - 1928)

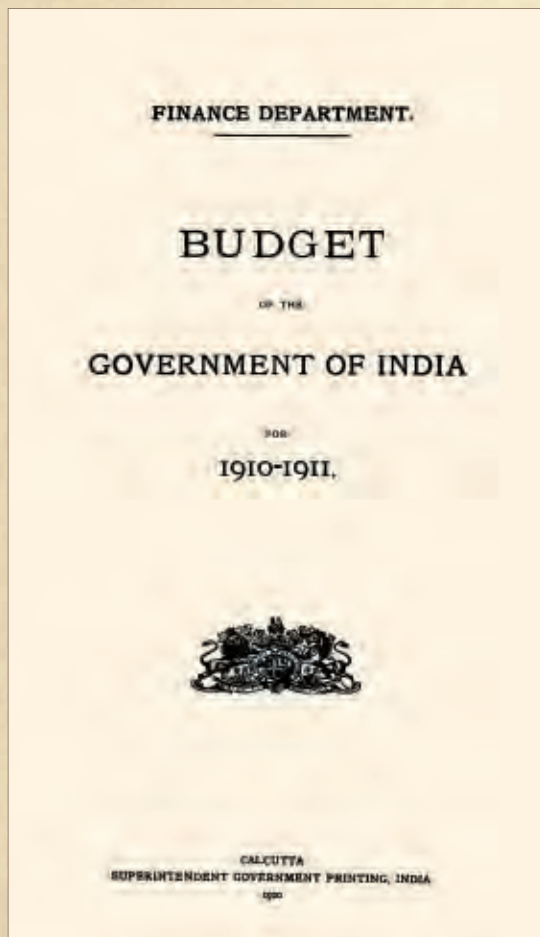
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OF
**THE COUNCIL OF THE LIEUTENANT-GOVERNOR OF
BIHAR AND ORISSA**
ASSEMBLED FOR THE PURPOSE OF MAKING
LAWS AND REGULATIONS.

1915.

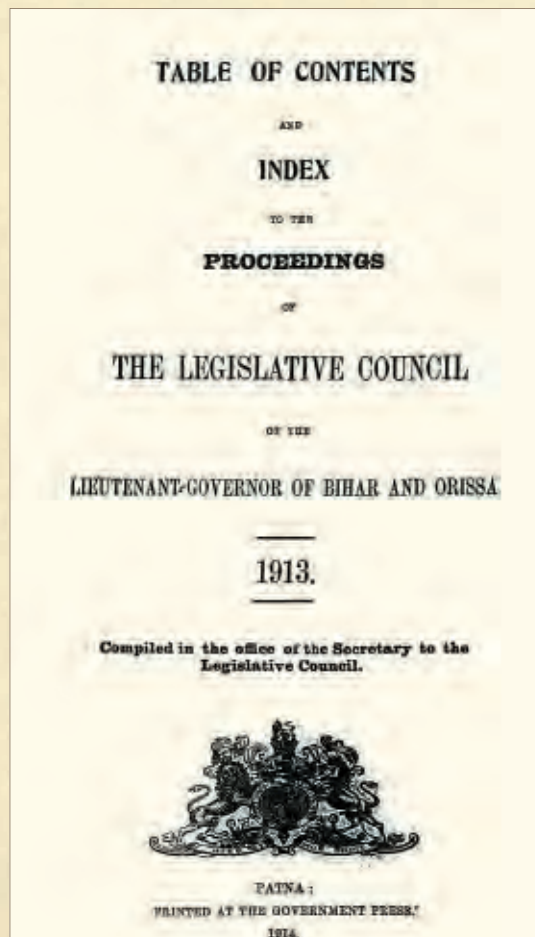
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The budget presented to the Legislative Council of the Bihar and Orissa Province for the year 1913-14, manifests further decentralization as enshrined in the 1909 Act. The budget elaborated on the liberal grants from the Government of India towards education and sanitation. In accordance with the provisions of the Government of India Act 1909, the budget was discussed in the House.

The Budget of Government of India for 1910-11 portrayed the compositional changes in the Imperial Budget, into 'wholly provincial', 'wholly imperial' and 'divided' heads, introduced in 1882.



Budget of the Government of India (1910-11)



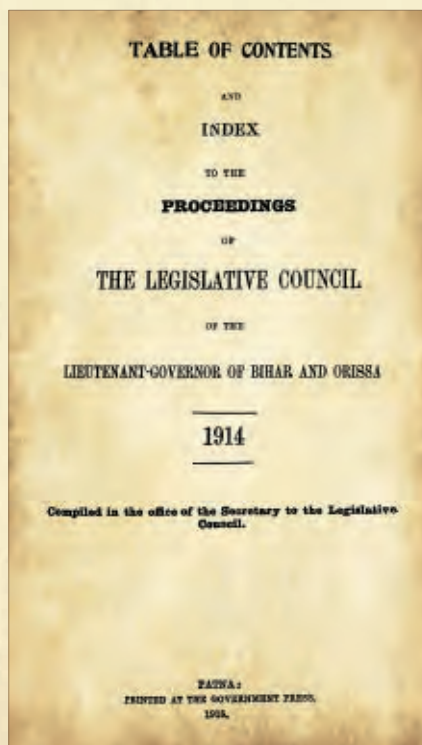
Proceedings of the Legislative Council of Bihar and Orissa (1913)

Permanent Settlements-1912: Drawing from the recommendations of the Decentralization Committee, Lord Hardinge implemented many changes in the domain of decentralization. He converted the 'Quasi-Permanent' settlement to 'Permanent-Settlement'.

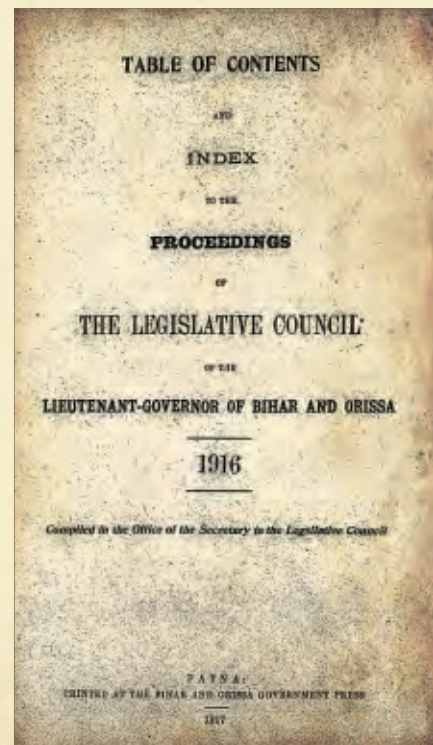
Changes of the principles in the allocation of resources remained unchanged under the permanent settlement except that they reduced the fixed assignments and gave the provinces larger shares in the growing sources of revenue. This permanent settlement continued to exist up to the Reforms of 1919 which gave a new shape to the provincial finance.

The budget presented to the Legislative Council of the Bihar and Orissa Province for the year 1914-15, contained the Provincial Share of Revenue and Expenditure, and the distribution of grants, both recurring and non-recurring, from the Central Government.

The 1915-16 Budget was framed on the principle of 'no provincial deficit'.



Proceedings of the Legislative Council of Bihar and Orissa (1914)



Proceedings of the Legislative Council of Bihar and Orissa (1916)

Towards the System of Federal Finance

Diarchy System of Federal Finance and Government of India Act of 1919: The Decentralization Commission had made it clear that no further advancement in financial decentralization was possible until the Government of India came under some degree of popular control. The Viceroy Lord Chelmsford and Secretary of State Mr. Edward Montague announced in the House of Commons on 20th August 1917 that no further development was possible without giving the people of India some responsibility for their own government. The introduction of responsible self-government was therefore necessary.

The Montague-Chelmsford Reforms Report (1918) acknowledged the great impediments to the introduction of a popular government, but found it imprudent to delay the initiation of the Indian people in the art of responsible government any further. They agreed that the responsible self-government was to be brought in not at once, but gradually. And the beginning was to be made in the provincial sphere. This was to be implemented through 'Diarchy'.

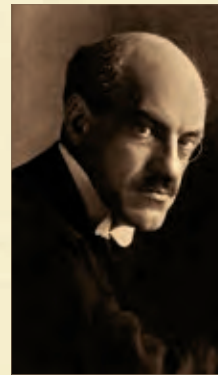
The decision of identifying the provinces as the domain for the introduction of responsibility, paved the way for the foundation of a Federal System in India. The adoption of the goal of provincial autonomy signified the separation of the functions and finances of the provinces and the Central Government.

Diarchy entailed a division of the provincial government into two halves – one under the Executive Councilors responsible to the Governor, and the other under the Ministers responsible to the Legislature and the Indian electorate.

The provincial subjects were divided into two groups: Reserved and Transferred. The Reserved subjects were administered by the Governor through his executive council of bureaucrats, without any responsibility to the Legislature. The Transferred Subjects were to be

administered by the Ministers responsible to the Legislative Council. The Secretary of State and Governor General could interfere in respect of Reserved Subjects, while in respect of the Transferred Subjects the scope of their interference was low. The control over provincial expenditure formerly exercised by the Government of India was relaxed almost entirely.

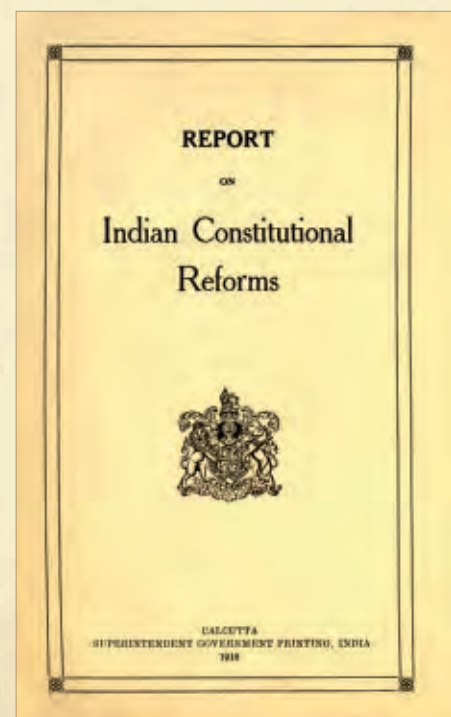
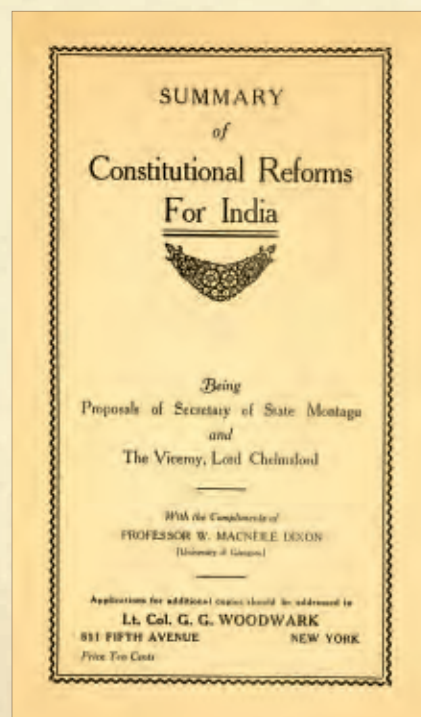
Montague-Chelmsford Reforms 1918 (Diarchy System)

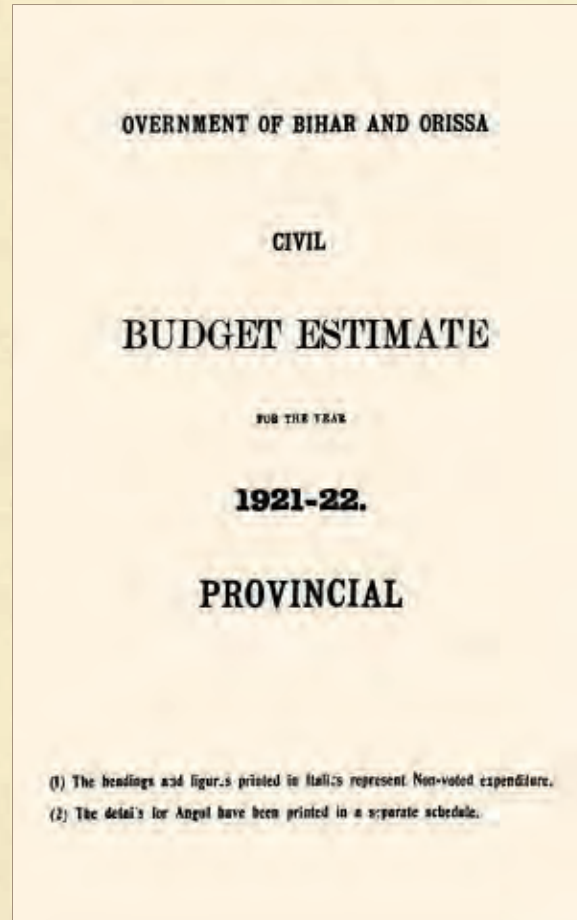
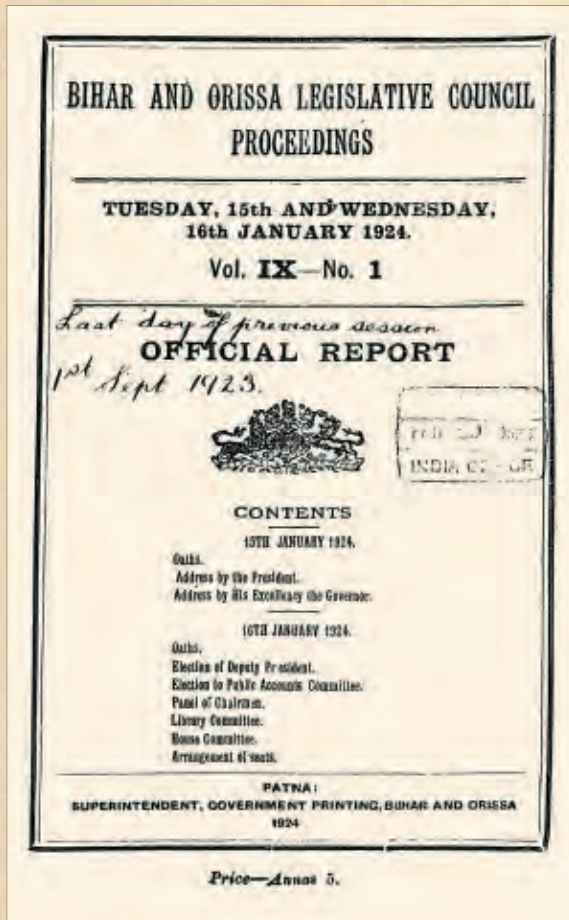


Edwin Samuel Montague
(1879 - 1924)



Frederic Thesiger,
1st Viscount Chelmsford
(1868-1933)





The budget presented to the Legislative Council of the Bihar and Orissa Province for the year 1921-22, contained voted and non-voted outlay. The division of provincial subjects into 'reserved' and 'transferred' is illustrated in the budget of the year 1923-24 presented in the Assembly.

As provisioned by the Government of India Act 1919, under the system of 'joint purse', the revenues were of the Government as a whole. The expenditures were divided into 'reserved' and 'transferred'. Besides, the composition of the budgetary provision under each major head were split into three columns – 'payable in England', 'payable in India'

and 'total'. The 'payable in England' items were transferred to the grants under the control of the Secretary of State, while the 'payable in India' items contained the grants voted by the Council. The budget for the year 1924-25 was representative of these developments.

A clean separation of revenues was made between the central Government and the provinces. Despite much apprehension, land revenue and irrigation receipts were made provincial heads. The old system of 'divided heads' was to be dispensed with. The entire revenue of India was divided between the central Government and the provinces. The provincial budgets were entirely separated from central Government's budget (1920) and the provincial legislatures were empowered to enact their budgets. A Finance Department was set up in every province (Section 1).

The Act also bestowed on the provinces the right of taxation and granted them the power of borrowing (Section 2) in India or abroad on security of their revenues. The prior approval of the Governor-in-Council and Secretary of State was required for loans raised in India and abroad respectively. Further, the loans were to be raised in the name of and on behalf of the Secretary of State. Owing to these difficulties the provincial Governments continued to greatly depend on the central Government in regard to audit and accounts, borrowing and allied matters. So it was *half way house between control and autonomy*.

Though 1919 Act gave the provinces considerable latitude in matters of financial administration, there was no separation of cash balances of the Centre and the provinces. There was a single 'public account' on which both operated. The provinces were given unlimited right to overdraw their accounts but they had to reimburse the account with the amount withdrawn before the close of the financial year. The provision of 'Ways and Means' thus continued to be a central responsibility.

The Government of India Act, 1919 also introduced bicameralism (Section 16) and direct elections in the country. Hence, a bicameral legislature consisting of a Council of State (Upper House) and Legislative Assembly (Lower House) replaced the Indian Legislative Council. The majority of members of both the Houses were chosen by direct election. Further, the Act provisioned separate electorates for different communities such as Sikhs, Indian Christians, Anglo-Indians and Europeans. The Act also increased the number of Indians in the Viceroy's Executive Council to three out of eight members (Section 28). It also proposed the setting up of a Public Service Commission (Section 36). Subsequently, the central Public Service Commission was established in 1926.

The Meston Settlement (1920): Such a scheme of division of revenues, as contained in the Government of India Act, 1919, was expected to upset the budget of the central Government. Initially it was suggested in the Joint Report (1918) that such deficits would be made up by drawing from the surpluses accrued to the provinces according to the new arrangement. However, this proposal drew strong opposition from the provincial Governments. The difficult situation thus entailed the creation of a Special Committee to inquire into the financial relations between the provincial and central Governments. Lord Meston was made the Chairman of this committee.

The Committee concluded that not the estimated budgetary surpluses of the provinces, but the increased spending power of the provinces- i.e., the additional resources a province would garner owing to the separation of the sources of the revenues - that would serve as the fair basis for contributions to the centre. This temporary arrangement for initial contributions was soon replaced with the guiding principle of Taxable Capacity. After having gone through the taxable capacities and other considerations like the economic

**EAST INDIA: ACCOUNTS AND ESTIMATES
1924-1925.**

EXPLANATORY MEMORANDUM

BY THE

UNDER-SECRETARY OF STATE FOR INDIA

Presented to Parliament by Command of His Majesty



LONDON:

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position in detail, the committee recommended a fixed ratio of contributions to be put into effect after an interval of time, enough to enable the provinces to adjust their budgets to the new conditions. Income Tax was to be allotted to the central Government. These contributions, called the Meston Award, were to be abolished when the financial health of the central Government improved.⁴⁸

The Explanatory Memorandum of 1924-25 of the Imperial Government presented to the British Parliament indicates the changes brought out by Government of India Act, 1919. This document elaborates on the delimitation of the functions of the Government, as between the Government of India and the chief provincial governments. The classification of subjects into 'provincial' and 'central' was also captured in this budget. Besides, the annual contribution of the provincial governments to the central Government as per the Meston Award is also clearly delineated. The budget was also suggestive of the fact that the single cash balances were maintained by the Government of India.

Meanwhile, the exorbitant war finance and high prices led to deterioration of India's credit, a rise in the cost of borrowing and a deficiency in resources available for desired level of capital development. In the provinces too, budgets ran into deficits and finances were severely strained. Subsequently, the Government of India resorted to retrenchment and fresh taxation. Eventually, economic conditions improved.

Sir Basil Blackett, later in his budget statement for 1928-29, announced the total abolition of the contributions (Meston Award).

A Separate Railway Budget: Of the many reforms that were introduced towards the financial reconstruction, the one concerning railway finance is notable. The dwindling state of railway earnings was a cause of grave anxiety to the Government.⁴⁹

⁴⁸ B. R. Ambedkar, *The Evolution of Provincial Finance in British India - A study in the Provincial Decentralization of Imperial Finance*. London: P.S. King & Son, Ltd., 1925, p. 203.

⁴⁹ P. J. Thomas, *The Growth of Federal Finance in India: Being a Survey of India's Public Finances from 1833 to 1839*. London: Humphrey Milford, Oxford University Press, 1939, p. 358

In 1921, British railway economist, William Mitchell Acworth was appointed chairman of the Committee on Indian Railways. The Acworth Committee (1920-21) reported that the inclusion of the unsteady and irregular railway earnings in the general accounts, made the central budget unpredictable. Thus, it was suggested that the railway finance be separated from the general budget.

Afterwards in the Assembly of September 1924, it was conceded that railway finances would be separated from the general finances and that the general revenues would receive a fixed annual contribution from the railways. The net gain to the Government on account of creation of a separate Railway Budget in 1923-24 was estimated at Rs. 1.22 crore.



GOVERNMENT OF INDIA
RAILWAY DEPARTMENT
(RAILWAY BOARD)

REPORT
BY THE
RAILWAY BOARD
ON
INDIAN RAILWAYS
FOR
1923-24

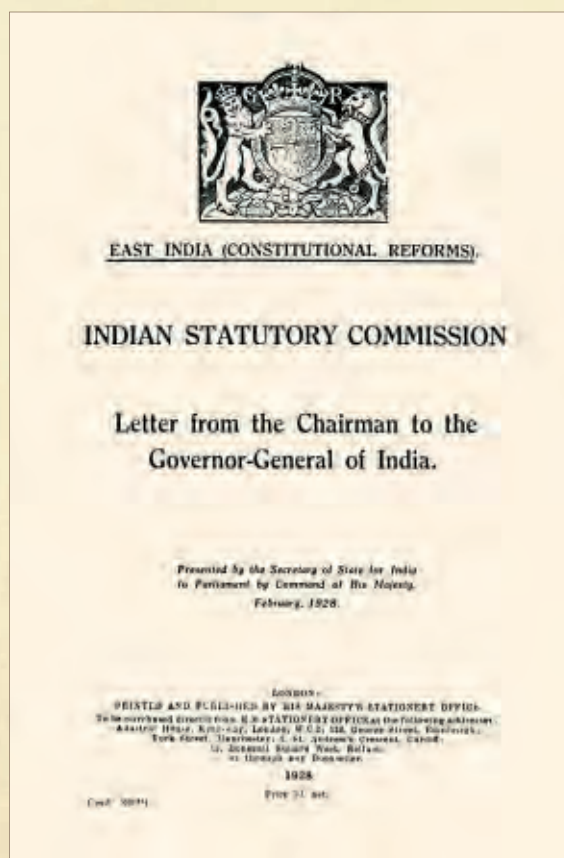
Volume I



CALCUTTA: GOVERNMENT OF INDIA
CENTRAL PUBLICATION BRANCH

Milestones in Devolution

Defects of the Meston Settlement: The Meston Settlement was criticized because of the apparent inequality of treatment it meted out to the industrial provinces versus the agricultural provinces. The industrial provinces complained that a greater part of their revenues was taken away by the central Government on account of the provinces not being able to tax the industrial income. Custom duties and income tax accrued to the central Government making the revenues of the industrial provinces highly inelastic. Therefore, these provinces called for a modification of the whole basis of division of revenues between the Central Government and the provinces. This issue was the focus of inquiries made by the Muddiman Committee (1924), the Indian Taxation Enquiry Committee (1924-25) and the Indian Statutory Commission (assisted by Sir Walter Layton) in 1929-30.



Indian Statutory Commission (1930): The Government of India Act, 1919 had provided for the appointment of a statutory commission to make inquiries and provide report on its working after ten years from its commencement. Accordingly, in November 1927 the Indian Statutory Commission, with Sir John Allsebrook Simon as Chairman, inquired into the working of the Reforms of 1919. The seven member team arrived in India in 1928 to study the feasibility of a further advance in responsible government. The Commission was commonly referred to as the Simon Commission.

In its report submitted in 1930, the Commission recommended the annulment of diarchy in the provinces and the establishment of a unitary administration by abolishing the classification of subjects into 'reserved' and 'transferred'. It also proposed for the creation of a Provincial Fund to be used to address inequalities.

Sir Walter Layton, the financial advisor to the Commission made recommendations regarding the allocation of resources between the centre and the provinces. The recommended pattern of distribution of revenues between the centre and the provinces was to be categorized as: i) Taxes collected and spent by the centre; ii) Revenues collected and spent by the provinces; iii) Taxes collected by the centre and distributed among the provinces on the basis of origin; iv) Taxes collected by the centre and distributed among the provinces on the basis of population. He was in favour of expanding the provincial resources by imposing surcharges on the income-tax.

Meanwhile the world fell into the greatest economic depression in 1930s, and the estimates and assumptions of the Commission were upset. The Round Table Conference was summoned in the autumn of 1930. Not just the British India representatives but also the leading Indian Princes representing the Indian States were invited to it. The idea of a federation was debated and discussed. The Indian States agreed to the proposed scheme of a federation on a guarantee of safeguarding their internal authority and treaty rights.

First Peel Committee, 1931: Continuous claims of the provinces to expanding sources of revenues led to the formation of a Federal Structure Committee in the Second Round Table Conference. This in turn appointed a sub-committee under Lord Viscount Peel, to inquire into the financial relations of the provinces and the central Government and make necessary suggestions.

The Peel Committee recommended that income tax should be levied and collected by central Government but should be distributed among the provinces. The deficit arising in the central budget was to be made good by the provincial contributions which were to not

continue beyond fifteen years. Afterwards, in case the central finances were in surplus, the surplus was to be allocated to the units, instead of reducing taxation. It also called for the appointment of an expert committee to lay down the criteria for allocation of the proceeds of income tax among the provinces.

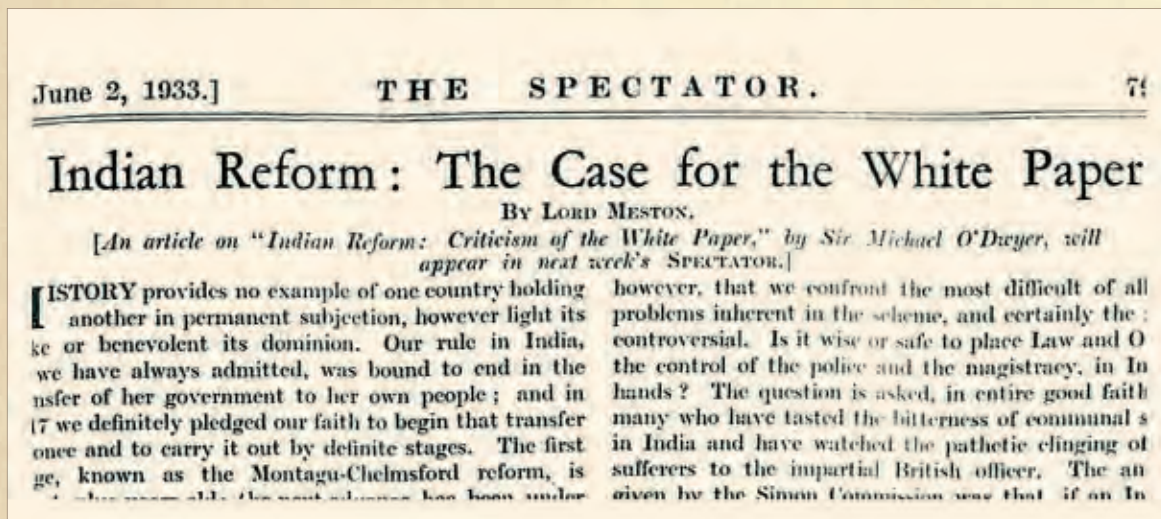
Percy Committee Report, 1932: Subsequently, a fact-finding Committee on Federal Finance was appointed with Lord Percy as chairman. It recommended that income tax should be shared between centre and provinces. The provinces were to be assigned a share from proceeds of personal income tax of local incidences, personal super tax on basis of collection from their residents and share of tax on non-residents and undistributed profits of companies on the basis of population. The Committee also proposed that the share of the provinces should be subject to revision every five years and that the Central Government was to be empowered to levy surcharges on any tax levied and collected by it.

The scheme of provincial contributions had in the past (Meston Settlement) been opposed vehemently. The Government unwilling to reintroduce any such scheme, abandoned it.

Second Peel Committee Report, 1932: Having considered the proposals embodied in the First Peel Committee Report and the Percy Committee Report, Federal Structure Committee called for appointment of another committee to reconsider the distribution of taxes between central and provincial governments. Subsequently, a sub-committee under the chairmanship of Lord Peel was appointed. The Committee however merely endorsed the scheme embodied in the Percy Committee report without making any notable suggestions.

The issue of devolution of finances continued to dominate the discussions surrounding Financial Administration in the country without reaching any effective solution which would satisfy either of the two sides.

White Paper on Indian Constitutional Reforms, 1933: The recommendations from the three Round Table Conferences were documented in a White Paper published in 1933. The financial proposals contained in the White Paper (containing proposals for the Indian constitutional reforms) suggested that income tax revenues derived from federal areas or emoluments of federal officers would be permanently assigned to the Federation. The percentage of proceeds from the ordinary income tax allotted to the provinces would be not less than 50 per cent and not more than 75 per cent. It also provided for central and provincial governments to levy surcharges on income tax. Further, it recommended that the Central Government should be given the power to allot a share of the yield of salt duties, central excise and export duties to the provinces.



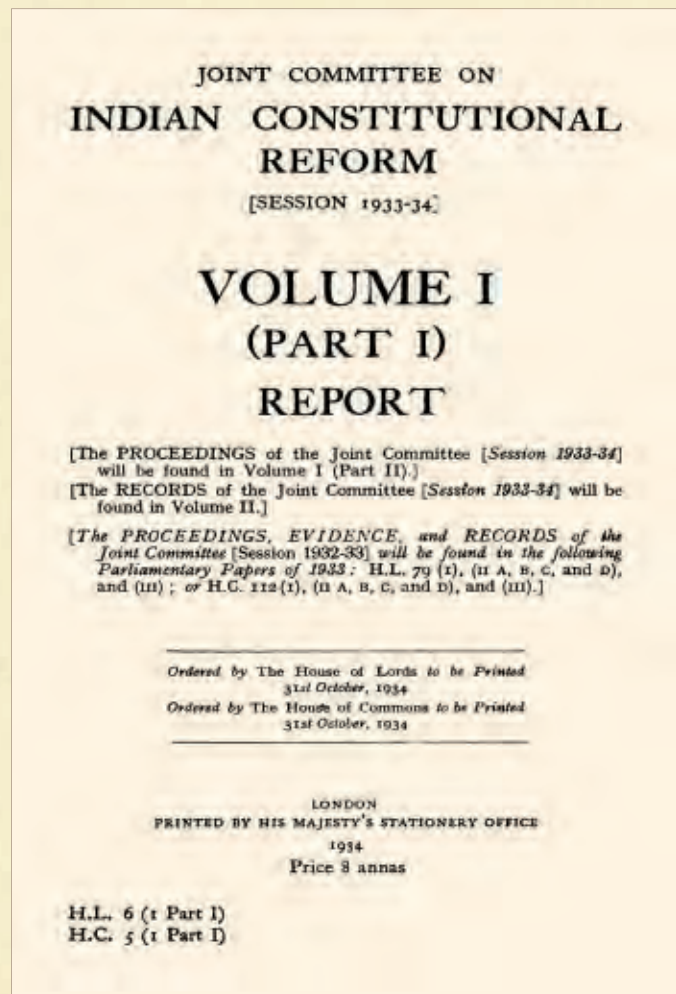
*White Paper on Indian
Constitutional Reforms, 1933
Source: The Spectator*

The Joint Select Committee Report, 1934: In April 1933, a Joint Select Committee was constituted by the British Parliament to deliberate on the future of the Government of India in the light of the White Paper Proposals.⁵⁰

The Joint Select Committee Report was mostly in conformity with the White Paper Proposals. The Committee however expressed concern

⁵⁰ Great Britain, Parliament, Joint Committee on Indian Constitutional Reform, *Report from the Joint Committee on Indian Constitutional Reform: (session 1933-34)*. London: His Majesty's Station Office, 1934, Vol. I, Part I, p.5.

that, owing to trade slump and the needs of deficit provinces, it would not be possible to fix the share of the provinces from proceeds of income-taxes at a level more than 50 per cent. The Joint Committee Report rejected the White Paper Proposal for providing provinces the power to levy surcharges on income tax.



*The Joint Select
Committee Report, 1934*

The seeds of formal decentralization in the country were sown by the Government of India Act 1919. The Act had given to the provinces, a great degree of autonomy in matters of finance and general administration. Although there was clear demarcation between the financial controls of the provinces and the centre, and an overlap avoided to a great extent, the Government of India did retain some overriding powers. The fundamental issue was the absence of a sovereign constitution

delineating the fiscal powers. The fiscal powers were in fact delegated by the supreme central Government. Such a system could not be called a federation. Nevertheless, the importance of the Act could not be undermined. It formalized the relations between centre and provinces. It laid the foundations of a federal system which was to be supported through developments of the days to come.

The provinces were released from the control of the Government of India and the Secretary of the State by the Devolution Rules made under Section 19 A and 45 A of the Act of 1919. But this relaxation of control was by no means a complete; if the administration of any transferred subjects were found to be unsatisfactory, the Government of India could intervene and even remove a transferred subject from the control of the Provincial Legislative Council.⁵¹

Thus, the Constitution set up in 1920 was essentially unitary. Although it leaned towards federalism, a further step was needed if a real federal structure was to be established in the country. If India was to be made a federation, the Indian States would have to be included along with British India.

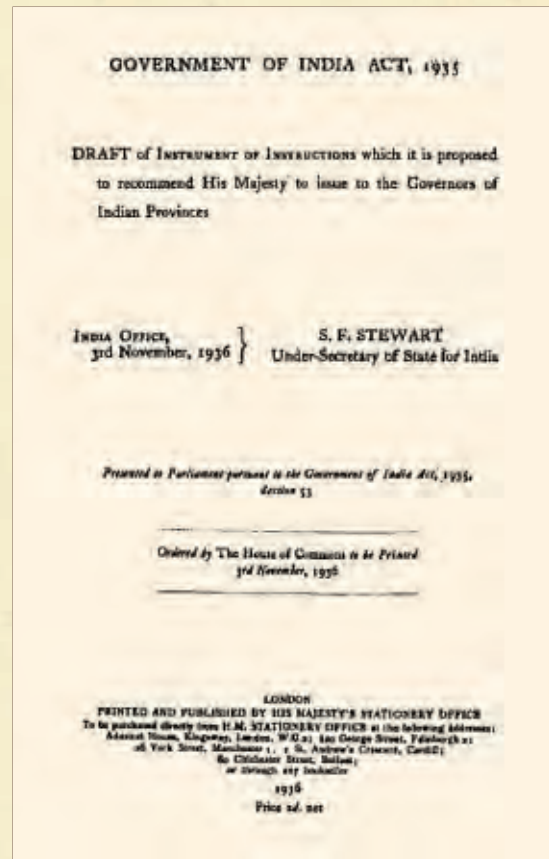
In addition to the recommendations of the above mentioned commissions and committees, Butler Committee (1928) and Davidson Committee (1932) had looked into the issues of federal finance in relation to the Independent States and had tried to address their grievances. The Davidson Committee was to devise an equitable scheme of federal finance in case of accession of the states to the Federation.

“The Federation of the British India with the Indian States was to be an organic union of the two, with the Federal Government and the Legislature exercising on behalf of both the powers vested in them for that purpose.”

Provision for such a federation was made in the Government of India Act 1935, adopted on 2nd August 1935. It was piloted by the House of

⁵¹ P. J. Thomas, *The Growth of Federal Finance in India: Being a Survey of India's Public Finances from 1833 to 1839*. London: Humphrey Milford, Oxford University Press, 1939, p. 382.

*Government of India
Act, 1935
Draft of Instrument of
Instructions*



Commons' Secretary of State of India, Sir Samuel Hoare in February 1935. This Act was a result of the deliberation of many years – spanning over the Simon Commission Report, the All-Parties Conference (The Nehru Report), the three Round Table Conferences, the White Papers, the Joint Select Committee Report, and the Lothian Report.

Government of India Act, 1935: Basic Principles of Federal Finance: The Government of India Act (1935) proposed to set up an All-India Federation by means of which the Indian States and Provinces would take decision on policies affecting India as a whole. It also established provincial autonomy in the provinces. Diarchy was abolished at the provincial level and introduced at the central level.

The Act distributed the powers between the federal and provincial Legislatures. The old demarcation of subjects (Govt. of India Act, 1919) was further elaborated into three separate lists – Federal (List

I), Provincial (List II) and Concurrent (List III). The central and provincial governments had the power to legislate upon the subjects federal and provincial respectively. On subjects in concurrent list, both could legislate with dominance to central legislation over provincial in case of conflict. It avoided the question of residual power by making the lists exhaustive. Unspecified subjects were to be allotted to the Governor-General, who in turn would authorize either central or provincial government to enact a law with respect to any matter that was not specified in the Legislature Lists.

The Act reiterated to the old principle of dividing subjects between the centre and the provinces, giving prominence to the centre. The Act also authorized the central Government to make grants-in-aid to the deficit provinces. The revenues of India were split up into 'the revenues of the federation' and 'the revenues of a province' and full legal rights had been vested in the federal and the provincial governments respectively in regards to them. The revenues of India were thus classified as –

- a) Taxes levied, collected and retained by provinces
- b) Taxes levied, collected and retained by central Government
- c) Taxes levied and collected by central Government but assigned to provinces (with power to the centre to impose a surcharge)
- d) Taxes levied and collected by central Government with a power to assign a share to the units
- e) Taxes levied and collected by central Government and partly shared with provinces

The Act brought forth a relaxation in the control of the Secretary of State over the finances of India and vested most of his powers in federal/central and provincial legislatures. The provinces would, henceforth, be allowed to borrow from open market on the security of their revenues. They were only required to seek approval of federal government, either when raising a loan outside India or in case some federal loan was already outstanding.

Speech by the Hon'ble Finance Member on introducing the Budget Proposals for 1936-37.

1. A year ago I commented on the complicated character of a financial review which had of necessity to cover three years instead of the normal two. I still find this difference from English practice slightly confusing and I must therefore apologise in advance in case it should be found that my statement today is lacking in perspicuity.

I am afraid too that the statement may prove to be dull and this I suppose is inevitable, seeing that a budget speech must proceed on a set plan. But if you find it dull, please remember that I shall find it much more so, if for no other reason than that it is so much more familiar to me than to you.

FINANCIAL YEAR 1934-35.

2. Let me first examine the final accounts for 1934-35.

Last year I anticipated that they would disclose a surplus of Rs. 3,27 lakhs. The actual figure has proved to be Rs. 4,95 lakhs. The excess of Rs. 1,68 lakhs over the revised forecast is due in the main to an increase of Rs. 1,50 lakhs under Customs and Excise. For the rest there are excesses of Rs. 30 lakhs on Income Tax, Rs. 24 lakhs on Posts and Telegraphs, and Rs. 19 lakhs on Currency and Mint but these are partially counterbalanced by a short fall of Rs. 55 lakhs on Salt.

The decrease in Salt is due to a postponement of clearances at the end of 1934-35; the increases under the other heads I have mentioned all point to one cause, viz., that the recovery in India's economic position had set in more strongly than could have been foreseen a year ago. Under the Customs and Excise head there were increases both on imported and on indigenous kerosene, improvements in the yield of the export duties on jute and rice, an improved yield from matches, and unusually high seasonal importations of cotton fabrics, raw cotton and machinery. None of these could have been foreseen when the Budget statement was made; indeed in the case of jute the early months of 1934-35 had shewn a decline and naturally a pronounced reversal of this tendency in the last three months of that year was an agreeable surprise. Similarly telephone receipts manifested a definite spurt in the last quarter of the year, as also did the profits from small coinage owing to the increasing demand for this means of payment—a sure sign of increasing prosperity.

In short, in my inexperience I attached rather too much importance to the Cassandra-like prophecies of those who were concerned for one reason or other to proclaim that India was being ruined by its attachment to the British Empire and its adherence to sterling, and too little to the assurances of those who told me that India had a marvellous power of recuperation from economic troubles. However, I would very much rather err on the side of caution than in the other direction and I do not feel called upon to be unduly penitent, though naturally I shall try to avoid repeating the miscalculation.

Speech by the Hon'ble Finance Member on introducing the Budget Proposals for 1937-38.

1. In my two previous Budget speeches I have had to tell a story of good fortune, of expectations more than realised, of reductions of taxation and of grants for various kinds of development. Today I have a different kind of story to tell, a story of disappointment, and of unexpected difficulties superimposed upon those which we expected and had braced ourselves to bear. Nevertheless the story will, I hope, show that the difficulties can be surmounted with little hardship or even inconvenience and that being so, the confidence in the future which I have hitherto expressed need only be tempered and certainly not abandoned.

Having thus aroused your curiosity I will proceed at once to the first of my three tasks, *viz.*, that of resurrecting a financial year which has been for a long while dead.

FINANCIAL YEAR 1935-36.

2. When I presented the budget a year ago I anticipated a surplus of Rs. 1.97 lakhs for the year ending the 31st March 1936 and this I asked the House to transfer to a Revenue Reserve Fund to help out the finances of 1937-38, the first year of Provincial Autonomy. This carry-forward has turned out to be Rs. 1.84 lakhs or Rs. 13 lakhs less than we expected. There were improvements of Rs. 27 lakhs under Taxes on Income and there was an increase of Rs. 16 lakhs under interest receipts combined with a saving of Rs. 13 lakhs under interest payments. There were also miscellaneous increases of receipts amounting to Rs. 19 lakhs but all these improvements were more than swallowed up by decreases of Rs. 27 lakhs under Salt and of Rs. 61 lakhs under Customs. The former was due to postponement of clearances at the end of the year. This usually happens when there is an expectation of a reduction in the rate of duty but in this case the expectation was singularly ill-founded for it was based on nothing more than what I may perhaps without undue disrespect call one of the more lighthearted votes given by the Party opposite. Of the recession under Customs no less than Rs. 36 lakhs was attributable to the sugar import duty alone and this heavy deterioration represented a complete reversal in the last two or three months of the financial year of the tendencies which had been in vogue in the earlier months. I would remind Hon'ble Members that I drew their attention to it during the debates on the Finance Bill, when I said "We now have 11 months figures to go on and to give only one example, the receipts from the sugar import duty in February were only Rs. 5 lakhs whereas the corresponding figure for the year before was something over Rs. 20 lakhs, I believe, and it is now quite clear that we have overshot the mark in the revised estimates for the yield of sugar import duty."

The striking decline in the volume of sugar imports was accompanied by some diminution in the general import trade, and particularly the trade in the more highly dutiable commodities. The putting into effect of sanctions

Establishment of Reserve Bank of India-Banker to the Governments:

Reserve Bank of India Act, 1934 is the legislative act under which the Reserve Bank of India (RBI) was set up on 1st April 1935. The RBI started to act as the banker to the Governments and took over the management of currency, issuance of the treasury bills and supply of the sterling requirements to the Secretary of State. Budget Proposals of the Government of India for the year 1936-37 reflect these functions of the RBI. Both central and provincial Governments maintained two set of accounts, one for sterling and the other for rupee transaction. The separation of cash balance for managing the ways and means positions of the central and provincial Government was effected in the Government of India Act, 1935. This was elaborated in the Budget Proposals of 1937-38.

The Government of India Act of 1935 was the longest Act of Parliament (British) ever enacted at that time. The Act completed the process of forming a federal structure in India, a process that was initiated by the Government of India Act, 1919.

With the dawn of Independence in 1947, the Indian Independence Act amended the Government of India Act, 1935 through an Adaptation Order. The Order provided for an interim Constitution for the dominion until the Constituent Assembly could draw up the future Constitution. Consequently, the administrative responsibilities of the British Government ceased. Additionally, the Crown no longer served as the source of authority; the Governor-General and the Provincial Governors were to serve as constitutional heads. However, no important changes regarding the sphere of provincial government and the relations between the provinces and the Centre were introduced and the division of powers continued as under the Act of 1935.

Having analyzed the financial administration system of the time, we now take a detour to appraise the nuances of the Systematization of the Budgetary Process during British India. Since the Systematization of the Budgetary Process is a critical part of the financial administration, it is pertinent to present the milestones following the first budget introduced in 1860.

Milestones in the Development of Budgetary System & Parliamentary Control over Government Finances

The budgetary system was one of the major institutional innovations introduced after the Mutiny. Up to the financial year 1860-61 the disbursements and future requirements had to be ascertained, in the absence of an annual budget of imperial income and expenditure, through a complicated system of 'Anticipation Estimates', 'Sketch Estimates' and 'Regular Estimates' prepared at different times in course of the financial year. The Anticipation Estimates were submitted by Local Accountants to the Supreme Government two and half months prior to the commencement of financial year; they also contained in parallel columns receipts and disbursements of the two previous years for comparison. The Sketch Estimates, with corrections up-to-date, were due from Local Accountants when four months of the financial year had expired. The Regular Estimates submitted three months later contained annual receipts and disbursements of the first six months, which were already known, as well as corresponding estimated figures for the rest of the financial year.⁵²

Development of Budgetary System

James Wilson had to familiarize himself with this complicated and peculiar financial system. Wilson had remarked "*The Indian Exchequer is a huge machine; the English Treasury is nothing to it for complexity, diversity and arid remoteness of the points of action*". To rationalize this complex machine was his main task.⁵³

James Wilson had introduced for the first time in India a financial budget framed upon the English model. Wilson's reforms had infused in the minds of the people a fresh sense of confidence which brought together the threads of Indian finance which previously had been broken by a military and political convulsion.

⁵² S. Bhattacharya, *The Financial Foundations of the British Raj: Ideas and Interests in the Reconstruction of Indian Public Finance 1858-1872* (Revised Edition). New Delhi: Orient Longman Pvt. Ltd., 2005, pp. 133-134.

⁵³ *Ibid.*, pp. 134-135

Wilson's approach to the budget was hinged on a balanced budget. The revenue was to be raised with minimum interference. This meant that taxation was expected to leave economic behaviour of the taxpayer unchanged. Wilson had introduced the Income Tax for the first time in his budget speech presented on 19th February 1860.

Irrespective of the constraints in which a Financial Member had to function, James Wilson did a commendable job. The Budget System necessitated that the Legislative Council arrange, contemplate and approve the financial estimates of each year, before the year begins. It was in the Financial Resolution of 7th April 1860 that the new scheme was illustrated. It recognized the fact that for a vast country like India with multiple provincial administrations, it was advantageous that the estimates of predicted income and intended expenditures be framed prior to the commencement of the year.

The Indian Councils Act, 1861 reframed the budget rules to ensure that the local governments had greater discretionary power in matters of expenditure. Strict economy in matters of expenditure was followed.

The budgets were presented for a full year. A budget year is a period of 12 months used for estimating and analyzing the Government's financial accounts. The first budget year, practiced in India, commenced from 1st May to 30th April. This was synchronized with the end of the harvest season in the country, 14th April.

The official year of accounts in India closed on the 30th of April, prior to 1866-67. Foster and Whiffin (1865) had recommended that the budget year be commenced from 1st January. Although Secretary of State deliberated on the recommendation in 1866, subsequently, it was decided that 1st April was a better suited date for the commencement of the budget year. This effort was aimed at aligning Indian Budget year with that of the British Government. The financial accounts and estimates were routinely sent across to England for review. The

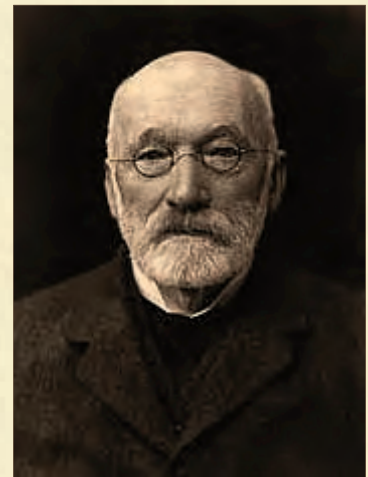
Budget Year end was changed to 31st of March. The alignment of 1867 was expected to simplify matters of administration.⁵⁴

No financial bills were passed in between 1873 -76 and the annual budget was not presented in the Council. During the same period, the financial bills were just published in the form of minutes in the Gazette of India. It was in 1877 that the system of presenting budgets to the Council was revived for a brief period, on account of imposition of fresh taxes. The annual budget was presented in the Council only twice in the period of 1883-92. The printing of the budgets in the Gazette however continued.

The year 1890 symbolizes a milestone in Systematizing the Indian Budget. There were differences in the form and content of the first budgets. It was Sir David Barbour who systematized Indian Budget Statement. In 1890, he divided the budget into two parts. General Policy featured in the first part whereas the second part comprised of Financial Results in detail.⁵⁵

The Section 18 (2) of 1909 Act defined 'Budget' as a Financial Statement as finally settled by the Governor. Further, the financial statement with an explanatory memorandum was to be laid before the Council every year by the finance member, and printed copies were to be given to every member. The date of presentation of financial statement was to be decided by the Governor. No discussions on financial statements were permitted on that day. Subsequently, the general discussion of the budget commenced in the Assembly on the date decided by the Governor. During this discussion, all resolutions had to be disposed by the Financial Member.

Thereafter, the recommendations of the Mont-Ford Reforms were embodied in the Government of India Act, 1919. Provisions concerning Indian Budget were outlined in Section 25. It stated that the estimated annual expenditure and revenue be laid in the form of



Sir David Miller Barbour
(1841-1928)

⁵⁴ P. J. Thomas, *The Growth of Federal Finance in India: Being a Survey of India's Public Finances from 1833 to 1839*. London: Humphrey Milford, Oxford University Press, 1939, p. 101.

⁵⁵ Ibid., p. 55.

a statement before the House in each year by the Governor. Section 25(4) stated that the appropriation of expenditure was to be put to vote in the Legislative Assembly in the form of demands for grant. In accordance with Section 25(7), the demands for grant were to be presented to the Governor for his assent. The Budgets were to be dealt by the Assembly in two stages namely i) general discussion, ii) voting for demands for grant, as mentioned in Section 45. The Governor was to decide the date of presentation of the Budget and subsequent to the presentation of the Budget, Governor was to allot the time for discussion of the Budget. For voting of grants, not more than fifteen days were permitted for discussions. Section 49 & 50 dealt with supplementary grant for which voting was necessary during any financial year.

The 'Procedure in Financial Matters' for the Governor's Provinces were listed in Section 78 – Section 83, Part III of the Government of India Act, 1935. For the central Government, similar procedures were listed over Sections 33-37.

Section 78 mandated that – Governor should present a statement of estimated receipts and expenditure in respect of every financial year before the Legislature. This statement was known as the 'Annual Financial Statement' or 'Budget'.

The procedure in the Legislature with respect to Estimates was outlined in Section 79, which elaborates on voted and charged expenditure and submission of expenditure estimates as demand for grants to the Federal Assembly and thereafter in the Council of the State. Provisions of resolving differences among the two Chambers in occasion of disagreements are also listed.

The procedure of 'Authentication of Schedule of Authorized Expenditure' was illustrated in the Section 80 of the Act. If during the course of the year further expenditure became necessary over and above the expenditure authorized for that year, a supplementary statement/demand was to be presented to the Legislature, showing

the estimated amount of that expenditure in exactly the same detail as for the original budget statement. These provisions were outlined in the Section 81 - 'Supplementary Statements of Expenditure'.

'Special Provisions as to Finance Bills' were stated in Section 82. These concerned with proposals for imposing any new tax, amending the law with respect to any financial obligations undertaken or to be undertaken by the province or, declaring any expenditure to be charged on revenues or an increase in amount of any such expenditure.

The rules laid down in the Act construed that - Presentation of the budget to the Legislature, Discussion and Voting in the Legislature and finally, the Authentication by the Governor were the stages through which the budget moved before being enacted.

The rigid, rule-oriented and complex system of financial control and budget formulation discouraged any popular initiative towards change and development. The control over financial administration was in fact meant to serve imperial objectives rather than easing out national problems. This system fraught with various rigidities was inherited from the British.⁵⁶

Thus, the budget system introduced for the first time in 1860 had to go through a series of changes and reforms that culminated in a well-defined budgetary process that continued to exist till the enforcement of the Constitution of India. However, the Government of India Act, 1935 that had given shape to the budgetary process and financial administration before 1947 continues to live on till today. The provisions contained in the Act were significantly manifest in the Constitution of India. The procedure in financial matters, delineated under Section 33 to 37 and 78 to 83 of Government of India Act, 1935 have found expression in the Constitution of India which guides the financial administration and budgetary process of the present times.

⁵⁶ A. Premchand, *Government Budgeting and Expenditure Controls: Theory and Practice*. Washington: International Monetary Fund, 1983, pp. 34-39.

Evolution of Financial Accountability

The accuracy of accounts is the foundation of efficient budgets and financial control. The accounts are required to be kept in accordance with approved principles of book keeping. They ought to encompass all financial transactions of the year and ensure correct statement of facts. The keeping of accounts is an executive function, whereas the audit of accounts is a quasi-judicial function. Therefore, it is fundamental that the audit of accounts should be conducted by an independent authority for maintenance of orderly finance. The Government accounting system in Britain conformed to this practice.

The system of accounting and auditing of public revenue and expenditure became prominent under the Mauryans and the other Hindu kings. The treatise of Arthshastra had put forth the evolution of auditing. Similarly, an elaborate system of audit and accounts existed during the Gupta period. This is evident from the fact that the Gupta rulers could levy a tax on profits instead of capital employed. In medieval India, the Sultans of Delhi had Mushrifs and Mustaufis responsible for accounts and audit.

Under East India Company, up to 1857, accounts of the three presidencies of Bengal, Madras and Bombay were prepared separately by the concerned Accountant General.⁵⁷

Just prior to the mutiny of 1857, Lord Canning had initiated a major administrative reorganization. This led to the setting up of a separate department with an Accountant General at the helm, for the first time in May 1858. He was responsible for accounting and auditing of the financial transactions under the East India Company. After the mutiny, the British Crown took over the administration of India and passed the Government of India Act 1858. This Act introduced a system of an annual budget of Imperial Income and Expenditure in 1860. The budgeting system laid the foundation stone of Imperial Audit.

⁵⁷ P. J. Thomas, *The Growth of Federal Finance in India: Being a Survey of India's Public Finances from 1833 to 1839*. London: Humphrey Milford, Oxford University Press, 1939, p.47.

The civil, military, and public work accounts were formerly in a disjointed state. These accounts were entered in the book of three presidencies, and were not brought together in a combined all-India account. This interfered with central control over finance, and made the Government of India's supervision ineffective.

In 1858, the new system brought together the accounts of the three presidencies and provinces including the civil, military and public works accounts. The new system was advantageous in that it ensured a complete review beforehand of the income and expenditure to be incurred in the year. Further, it ensured scrutiny of expenditure and led to formation of All-India Standards of Account and Audit.⁵⁸

The Office of the Comptroller and Auditor General was established in 1858 – the year the British Crown took over the reins of governing British India from the East India Company. The first Auditor General Sir Edward Drummond was appointed in 1860 and had both accounting and auditing functions. Departments of Accounts and Audit were created (reorganized) in 1862.

The above developments were pursued in tandem with Wilson's new budget system. In the new system the records of revenue and charges in the regular books of accounts were brought into accord with the actual receipts and payments of the year. Besides, monthly accounts of audited receipts and charges were substituted for an annual account. The timely completion of Revenue and Finance accounts was also ensured. These improvements were first carried out in Revenue and Finance accounts of 1864-65 and 1865-66.⁵⁹

In 1871, a Select Committee of the House of Commons had expressed its inability in proceeding with its work constrained by the impassable manner in which accounts of India were prepared. Thus, important decisions concerning finances were stalled because of the inability of the accounts to portray workable and insightful results.

It was recommended that detail and uniformity be instilled in the manner in which accounts were being prepared. Comptroller-General of Accounts, E.F. Harrison was sent to England to carry

⁵⁸ Ibid., p. 97

⁵⁹ Ibid., p. 98-99

out reforms and present the Government's accounts before the Parliamentary Select Committee. On his return, consequential reforms were enforced to ensure more clarity and precision in accounts of Government of India.

Furthermore, the Government of India Act, 1919 provided for an 'Auditor General in India' responsible for the audit of expenditure in India from the revenues of India. This Act is a landmark in the history of the Audit Department as the Auditor General came to be statutorily recognized. Through the Government of India Act of 1935, he was designated as the Auditor General of India and was appointed by the King of England, thereby cementing the independence enjoyed by the post in the years to follow. The Government of India Act, 1935 also laid down the provisions for appointment and service conditions of the Auditor General. The detailed accounting functions were specified in the Audit and Accounts Order of 1936. Post-independence, four categories of field offices existed within the Audit Department namely Civil, P&T, Railways and Defence Services.⁶⁰

The Government of India Act, 1935 strengthened the position of the Auditor General by providing for Provincial Auditors General in a federal set-up. Till 1947, when the last British Auditor General Sir Bertie Monro Staig handed over the reins, the department remained an integral part of British administration. Under various nomenclatures like the Accountant General, the Auditor General and the Comptroller and Auditor General, it provided unified accounting and auditing arrangements for the whole of British India.

A thorough revamping and strengthening of the department was undertaken by the first Auditor General of independent India Shri V. Narahari Rao under a five year scheme of strengthening the department. By 1947, the concept of a federal auditor for the provinces had to give way for the continuance of a single Auditor General for both the Centre and the states. Under the constitution of free India, four major articles, i.e., Articles 148, 149, 150 and 151 defined the basic structure of the institution of the CAG of India. Under these articles, the basic essence continues to remain the same – that the

⁶⁰ National Academy of Audit & Accounts.

CAG of India is an independent constitutional authority who is neither part of the legislature nor executive, though appointed by the President on the advice of the Prime Minister and can be removed only through a motion of impeachment. The CAG is both the audit and accounting authority for the Centre as well as the states.⁶¹

Article 148 provides that there shall be a Comptroller and Auditor General of India who shall be appointed by the President by warrant under his hand and seal and shall only be removed from office in like manner and on the like grounds as a Judge of the Supreme Court.

Article 149 provides that the Comptroller and Auditor-General shall perform such duties and exercise such powers in relation to the accounts of the Union and of the states and of any other authority or body as may be prescribed by or under any law made by Parliament and, until provision in that behalf is so made, shall perform such duties and exercise such powers in relation to the accounts of the Union and of the states as were conferred on or exercisable by the Auditor-General of India immediately before the commencement of the Constitution in relation to the accounts of the Dominion of India and of the Provinces respectively. The duties and powers of the Comptroller and Auditor General in relation to accounts and audit are contained in the Comptroller and Auditor General's (Duties, Powers and Condition of Service) Act, 1971 passed by the Parliament.

Under Article 150 of the constitution, the accounts of the Union and the states are required to be kept in such a form as the President, after consultation with Comptroller and Auditor General, may prescribe. The word form has a comprehensive meaning so as to include the prescription not only of the broad form in which the accounts are to be kept but also appropriate heads under which certain transactions or classes of transactions have to be entered.

Article 151 requires the reports of the Comptroller and Auditor General of India relating to the accounts of the Union to be submitted to the President, who shall cause them to be laid before each House of

⁶¹ National Academy of Audit & Accounts.

Parliament and the reports of the Comptroller and Auditor General of India relating to the accounts of a State shall be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State.⁶²

The field offices of the Indian Audit and Accounts Department are headed by the Accountant General. The Accountants General (A&E) offices are responsible for the maintenance of Accounts of the State Government. The field Audit offices headed by the Accountants General/Principal Directors are responsible for Audit.⁶³

Parliamentary Control over Government Finances – Public Accounts Committee

It is evident that the legislature, the embodiment of the popular will, is intended to be able to ensure the manner in which public policy is implemented and public money is spent by the Executive. The enormous range and complexity of legislation and administrative functions make it almost impossible for the legislature to adequately scrutinize the legislative proposals and oversee administrative functions. The enormous volume of work which comes before a legislature and a limited time at its disposal for its consideration make it impossible that every matter should be considered at length on the floor of the House. To circumvent these difficulties a Legislature takes the help of the Committees.⁶⁴

The Public Accounts Committee of the British House of Commons was the first and remains until today an outstanding example of a parliamentary audit committee.⁶⁵ The structure and function of the Committees date back to the reforms initiated by William Gladstone when he was Chancellor of the Exchequer in the mid-nineteenth century. It was in 1859 that the idea of a Committee of Public Accounts received the necessary support, and in April 1861, Gladstone moved

⁶² Ministry of Law and Justice, Government of India, *The Constitution of India*.

⁶³ <http://www.agodisha.gov.in>

⁶⁴ G. Chand, *The Essentials of Federal Finance: A Contribution to the Problem of Financial Re-adjustment in India*. London: Humphrey Milford, Oxford University Press, 1930, p.42.

⁶⁵ J. P. Harris, "Legislative Control of Expenditure: The Public Accounts Committee of the British House of Commons". *Canadian Public Administration*, 2(3), pp. 113-131.

for a committee and the motion was carried to create the Committee of Public Accounts. The following year, the House of Commons passed a Standing Order, which read:

*“That there shall be a Standing Committee of Public Accounts; for the examination of the Accounts showing the appropriation of sums granted by Parliament to meet the Public Expenditure, to consist of nine members, who shall be nominated at the commencement of every Session, and of whom five shall be a quorum”.*⁶⁶

In England, the convention was that a well-known member of the Opposition was selected as the Chairman, so that there may be proper opportunity for review and criticism, if necessary, of the financial proceedings of the Government of the day.

It has been claimed that UK possessed in the Public Accounts Committee, one of the most interesting features of her whole system of financial administration and that it was the crowning point of that system which was built up step by step for securing a real control over public expenditure.⁶⁷

On the UK pattern, Public Accounts Committee in India (at the Centre) was set-up under the Montague Chelmsford Reforms, the first step being taken on 22nd February 1921, when Mr. Malcolm Hailey moved a motion in the Legislative Assembly of India for the election of 8 members to the Committee.⁶⁸

The Public Accounts Committee was constituted at the Centre in 1923 for the purpose of scrutinizing appropriation accounts and audit reports, and such other matters as referred by the Finance Department. The composition and functions of the Public Accounts Committee were governed by Rules 51 and 52 of the Indian Legislative Rules made under Section 67(1) 129-A of the Government of India Act, 1919. The provinces followed suit.⁶⁹

⁶⁶ British Parliament, *Holding Government to Account: 150 years of the Committee of Public Accounts, 1857-2007*. www.parliament.uk.

⁶⁷ N. N. Mallya, *Indian Parliament*. New Delhi: National Book Trust, 1970, p. 151.

⁶⁸ R. N. Aggarwala, *Financial Committees of the Indian Parliament*. Delhi: S. Chand and Co., 1966, p. 178.

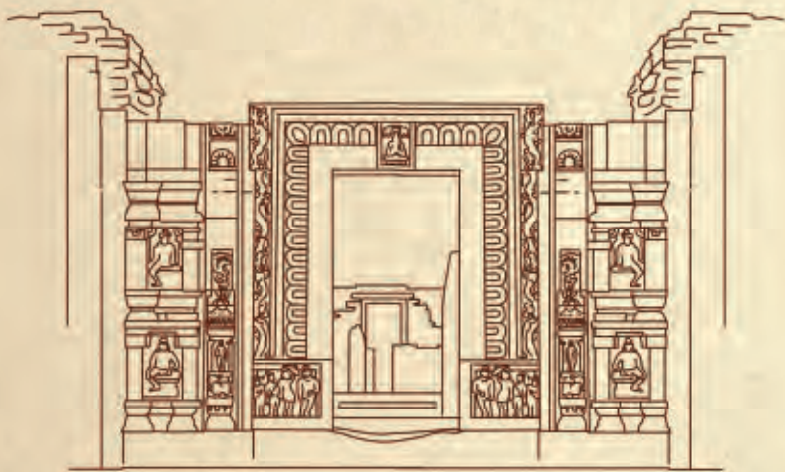
⁶⁹ H. Singh and P. Sachdeva, *Administrative Theory*. Allahabad: KitabMahal, 1999, p. 304.

The Public Accounts Committee consists of members elected by the Legislature, including the Finance Minister who is an ex-officio member. The term of office of members of the committee is one year, but members are eligible for re-election. The chairman is elected by the committee from among their members. In the case of an equality of votes on any matter, the chairman has a second or casting vote. In India the practice hitherto has been to elect the Finance Minister as chairman. The Accountant-General is not a member, but is usually invited to attend the meetings of the Public Accounts Committee. In the case of the central Public Accounts Committee, the Auditor-General is also similarly invited. The main function of the committee is to see that the money granted by the Legislature has been spent by the Executive within the scope of the demand. This means that the committee has to satisfy itself that:-

- (i) the money recorded as spent against the grant is not larger than the amount granted ;
- (ii) the money has not been spent for a purpose not approved of by the Legislature ;
- (iii) there are no other irregularities in the spending of public money by the Executive.

Strictly speaking, the committee is concerned only with voted expenditure, but by a convention which has been observed ever since the introduction of Public Accounts Committees, the committee deals with both voted and non-voted expenditure. In cases where accounts of receipts and of stores and stock are audited by the Auditor-General, the committee also considers the audit reports thereon in much the same detail as in the case of expenditure.⁷⁰

⁷⁰ P. K. Watal, *The A-B-C of Indian Government Finance*. Delhi: Manager Government of India Publication Branch, 1948.



Section – II

Inter-Governmental
Fiscal Transfer
Mechanism in India
since the British Rule



Fiscal Federalism and Fiscal Instruments in India

Democratic federation envisages sharing of power between the central Government and the units. Similarly, fiscal federalism envisages sharing of financial resources between the Centre and the states. The three main objectives of fiscal federalism are: a) welfare gains from decentralization, b) assignment of resources and responsibilities between different tiers of government, and c) fiscal instruments for the resolution of vertical and horizontal imbalances.⁷¹ The wisdom of fiscal federalism lies in identifying which functions and instruments are best centralized and which are to be placed in the sphere of decentralized levels of the Government. This translates into a study of how competencies (expenditure side) and fiscal instruments (revenue side) are allocated across different layers of the Government. Understandably, transfer payments/ subventions/ assignments/ devolution or grants, through which the revenues of the central Government are shared with lower levels of the Government, form the nucleus of the subject. Fiscal Federalism in India has had to satisfy various competing demands to deliver a number of essential and basic socio-economic goods. The principal objective of fiscal federalism is to deepen efficiency in the operations of the national and the sub-national governments. The evolution of fiscal devolution in India can be traced back to the British Era.

The passing of the Indian Councils Act, 1861 marked the first step towards the development of the powers of the provincial governments. This Act restored the legislative powers of the Madras and Bombay Governments which had been taken away by the Charter Act of 1833.

The enlargement of the powers of the provinces was initially taken up by James Wilson. However, he did not live long enough to implement his ideas. Succeeding Finance Member, Samuel Laing agreed that the devolution of powers to the provinces was paramount. His proposal of transferring charges amounting to £50,000 to the provincial

⁷¹ C. Rangarajan and D. K. Srivastava, *Federalism and Fiscal Transfers in India*. New Delhi: Oxford University Press, 2011, pp. 1-2.

budgets was circulated among the provinces but failed to evoke any enthusiasm among them.

The futility of the imperial government managing the whole of the finances of India was evident to the succeeding Finance Member Massey. As the finances of the government continued to deteriorate, another scheme of decentralization was put forth by Massey. The scheme was that of federal finance.

Therefore, the idea of an Indian Federation was conceived as early as 1867. Richard Strachey had noted that the existing financial relations between the centre and the provinces of the time were most demoralizing to the latter. He opined that rapid changes in the economic and political scenario had rendered the centralized financial system unworkable. He concluded that the evils of centralized system could be remedied through a radical change, involving devolution of powers to the provinces. His note of 17th August 1867 elucidated his idea of gradual federalization of the Indian Financial System. However, this shift was then regarded as premature.

Ever since, the federal system has evolved gradually at its natural pace.

The next step towards the growth of provincial government was taken in 1870 during the Viceroyalty of Lord Mayo when certain financial powers were conceded to the provinces.⁷² The financial reforms gave financial powers to the provincial governments and strengthened their autonomy in the financial sphere.

A further step was taken in 1877 during the Governor-Generalship of Lord Lytton. As a result of the financial reforms of 1877, twenty percent of the total revenues of India and the ordinary services were transferred to the provinces.⁷³ This reform resulted in an unprecedented elasticity in provincial finances.

The financial reforms of 1882 abolished fixed Central grants. A share in the revenue from certain sources was substituted for the grants.

⁷² P. N. Masaldan, *Evolution of Provincial Autonomy in India, 1858 to 1950, with Special Reference to Uttar Pradesh*. Bombay: Hind Kitabs Ltd., 1953

⁷³ K. T. Shah, *Sixty Years of Indian Finance* Part VI, Ch.I, p. 393.

Besides the former two heads of revenue – the wholly imperial and the wholly provincial – a third kind of revenue head, the Divided, entered the Indian budget. The wholly imperial head comprised of customs duties, salt revenue, opium revenue, post office receipts, railways, tributes, telegraphs, military public works and gain by exchange transactions. The provincial head encompassed provincial rates, ordinary public works, receipts from law and justice, education, police, stationery and printing, interest on provincial securities, provincial railways, medical receipts, miscellaneous items, and minor departments. Land revenues, forests, excise, assessed taxes, stamps and registration were assigned under the divided heads. The provinces would then have greater scope for the development of the services entrusted to them with a free hand.

The financial relations between the Government of India and provinces were governed by ‘five year contracts’, known as *Quinquennial Contracts* between 1883 and 1904. The revenue and expenditure of various provinces were examined every five years in detail, and agreements were revised with a view, mainly, to ensure to the imperial government a proper share of any improvement in the revenues. Whereas, fixed proportions of various heads of revenues were assigned to the provincial governments on the principle of establishing a general equilibrium.⁷⁴

The composition and powers of the Legislative Councils established by the Act of 1861 were altered by the Indian Councils Act, 1892. This Act widened the legislative sphere of the provinces. The number of the additional members of the Legislative Councils of Madras and Bombay increased between 8 and 20. It introduced the principle of representation though not direct. For the first time the right of putting questions under rules was granted to the members. The members of the provincial legislature were also given the power, subject to the previous sanction of the Governor-General, to repeal or amend as to that province, any law made by any other authority. By the end of the 19th century, owing to these developments, there was greater scope for provincial initiative than in 1858.

⁷⁴ P. J. Thomas, *The Growth of Federal Finance in India: Being a Survey of India's Public Finances from 1833 to 1839*. London: Humphrey Milford, Oxford University Press, 1939, p. 254.

The initiation of the quasi-permanent contracts in 1904-05 was aimed at addressing the evils of the quinquennial settlements introduced before. The share of revenues to the provinces was lowered. However it was fixed as a definite fraction of the aggregate revenues. Additionally, the contracts could only be altered in case of grave imperial necessity. The provincial governments administered all their revenues and handed over the appointed share to the central Government. Thus, the central Government relaxed a definite part of its control, although they did not become the 'pensioner of the provinces'. The provincial Governments administered all their revenues as their own and handed over the appointed share to the central Government. This share was practically in the nature of a contribution to the central treasury and was so regarded by the Government of India. In strict constitutional law, the Government of India was still the unchallenged owner of all the revenues but this de jure position practically lost its sting by the reform of 1904. However, the new system was only initiated in 1904. The process had to wait for its completion, till 1919, when a clean separation was made between central and provincial revenues.⁷⁵

Despite the introduction of the above mentioned financial reforms and Acts, the entire governmental system was in fact one and indivisible.⁷⁶ The ultimate supremacy of the central Government was retained intact. Though supremacy of Centre remained undisturbed under the Indian Councils Act, 1909, yet it considerably enlarged the size of the central and provincial Legislative Councils and added to their powers. For the first time the right to move resolutions and divide on the budget was also granted to the local legislatures.

Subsequently, even as the proposals of the Decentralization Commission remained under consideration, Lord Hardinge in 1912 took the bold step of declaring the quasi-permanent settlements as permanent. The move was expected to do away with the system that for long had caused bickering between the Government of India and

⁷⁵ *Ibid.*, p. 263.

⁷⁶ *Report of the Indian Statutory Commission*, Vol. I, Para 128.

the provinces. The permanent settlements greatly relaxed the iron grip of the central Government on the provinces. The provincial budgets would no longer have to be minutely scrutinized by the Finance Department of the Government of India. However, the provincial governments were not given any power of taxation.

However, the idea of provincial autonomy was given a fuller expression in the Montagu-Chelmsford Report. This report declared that the eventual future of India was to become “*a sisterhood of States, self-governing in all matters of purely local or provincial interest*”.⁷⁷ On the basis of the report, the control of the central Government over the provinces was substantially relaxed. This Act delineated a clear division of functions between central and provincial Government, diarchy in the provinces and greater representation from the Indian Legislature. The Act of 1919 was actually a ‘half way house’ in the transition from a unitary State to a federal one. The revenues assigned to the provinces were of a comparatively inelastic nature. Nor were those revenues fully theirs; out of them they had to pay large contributions to the central exchequer. The burden of the contributions fell lightly on certain provinces, but heavily on others.⁷⁸

Subsequently in 1920, the Meston Award delved deeper into ironing out the discord in financial relations of the central Government and the provinces, and recommended for more power to the provinces for augmenting public expenditure.

Eventually, the total abolition of the contributions by the provinces was effectuated in 1928-29. The provincial contributions had been a milestone round the neck both of the central Government and of the provincial Governments, poisoning their mutual relations and hampering their every action. Their quality, even more than their amount, had strained the resources of the giver and the patience of the recipient. They had brought curses, not blessings, both to him who had given and to him who had taken.⁷⁹

⁷⁷ *The Report on Indian Constitutional Reforms, 1918, Para 349.*

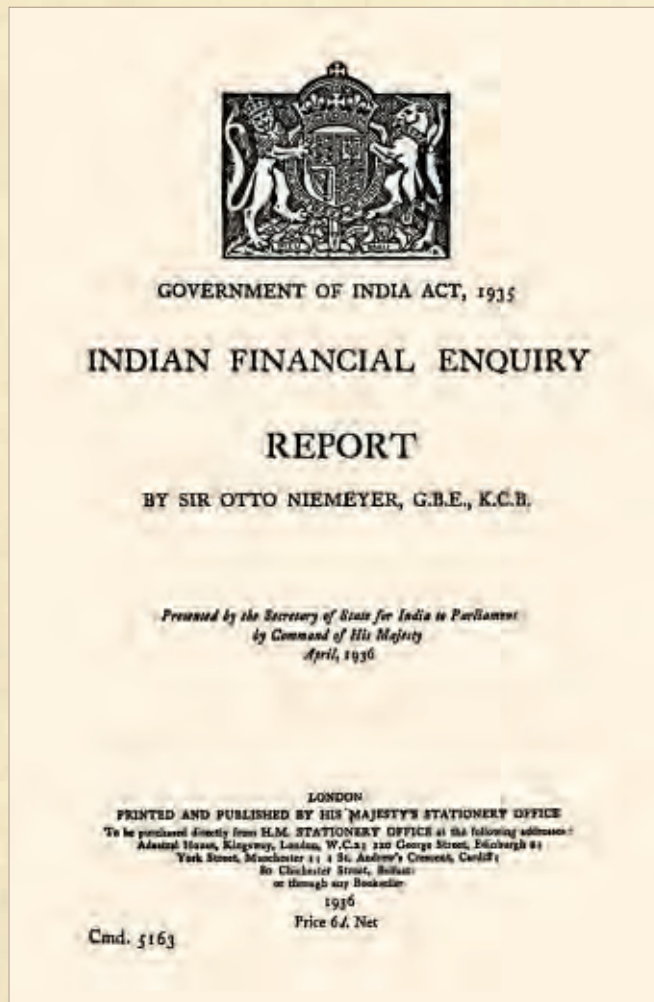
⁷⁸ P. J. Thomas, *The Growth of Federal Finance in India: Being a Survey of India's Public Finances from 1833 to 1839*. London: Humphrey Milford, Oxford University Press, 1939, p. 342

⁷⁹ *Ibid.*, p. 342

Thereafter, the Simon Commission Report in 1930 recommended the abolition of diarchy in the provinces and the establishment of unitary administration by doing away with the classification of subjects into 'reserved' and 'transferred'. It did not favor the system of grants-in-aid as it involved some measure of control which ran counter to the whole trend of constitutional development embodied in the recommendations of the Commission. Instead, it proposed for the creation of a provincial fund. This fund was to "*be fed by products of taxes, voted by the Federal Assembly representing provincial units, but collected centrally*" (Government of India, 1930).⁸⁰

The Report was considered by a Round Table Conference consisting of the delegates of the British Government and of British India as well as of the Rulers of the Indian States. On the basis of the results of this Conference, the Government of India Bill was drafted and passed as the Government of India Act, 1935.

The provincial autonomy under the Government of India Act, 1935 entails provincial autonomy by dividing legislative powers between the central and provincial legislatures. The provinces were no longer delegates of the Central Government but were autonomous units of administration. The Governor of



⁸⁰ K. Gopa Kumar, "Historical Evolution of Federal Finances in India". *Federal Governance*, Vol. 9, No. 2, p. 36.

a Province exercised his executive authority on behalf of the Crown and not as a subordinate of the Governor-General. The revenue resources under the Act were divided into three categories – Federal, Provincial and Jointly Federal & Provincial.

Sections 136 to 144 of the Government of India Act, 1935 dealt with distribution of revenues between the Federation and Federal Units. Accordingly, a one-man committee comprising Sir Otto Niemeyer was constituted to make recommendations in regard to the Government on the matters which come under sections 138(1) & (2), 140(2) and 142 of the GOI Act, 1935, subject to approval of both Houses of the British Parliament, and on any ancillary matters arising out of the financial adjustments between the Government of India and the provincial Governments regarding which the Government might desire a report. The report of Sir Otto Niemeyer, was officially titled as ‘The Indian Financial Enquiry Report’, and popularly called the Niemeyer Award (April, 1936).

The Terms of Reference to the Financial Enquiry were: to make recommendations to His Majesty’s Government, after reviewing the present and prospective budgetary positions of the Government of India, and of the Governments of the provinces, on the matters which under Sections 138 (1) and (2), 140 (2) and 142 of the Government of India Act, 1935, have to be prescribed or determined by His Majesty in Council (subject to the approval of both Houses of Parliament) and on any ancillary matters arising out of the financial adjustments between the Government of India and the provincial Governments regarding which His Majesty’s Government may desire a report.⁸¹

Sir Otto’s task had two aspects. On the one hand he was appointed to conduct an independent investigation of present and prospective budgetary positions of Government of India and of the Governments of provinces before final decisions were taken by His Majesty’s Government and Parliament as to date for introduction of new provincial constitutions. On the other hand he was required to make

⁸¹ *Report of Indian Financial Enquiry*, 1936, p. 3.

recommendations for completion by Order in Council of scheme of financial relations between Centre and Provinces embodied in Government of India Act, 1935, and for other adjustments ancillary to that scheme. The matters remaining to be determined by Order in Council were allocation between Centre and Provinces of proceeds of income-tax and jute export duty and prescription of grants-in-aid of revenue of such Provinces as were found to require assistance in this form. The two aspects of enquiry were connected by an objective, inherent in constitutional plan, of equipping Provinces with at least a sufficient minimum of resources at the outset, and of providing them with further resources in future, for questions at once arise both of ability of central Government to surrender a part of its present resources and of manner in which sums available should be distributed among Provinces.⁸² Sir Otto Niemeyer submitted his report on 6th April 1936.

He asserted that from a practical point of view benefits of creation of Sind and Orissa had been largely absorbed into budgets of parent provinces that year and though they would of course permanently strengthen position of those provinces, they would not represent additional free resources at disposal of new Ministries.⁸³

After having taken cognizance of the financial difficulties, relief was found indispensable. Under the Niemeyer Awards, the newly created province of Odisha received Rs.50 lakh in compensation. In addition to that, Odisha was also assigned a non-recurring grant amounting to Rs. 19 lakh.

The Orissa Government (on 4th May 1936) considered that the proposals of the Niemeyer Report regarding Orissa required modification for the following reason. The Province was a composite one, with different methods of administration in different parts, and it was difficult and undesirable to level all parts down to the lowest standard. Therefore the revenue deficit in future years, even on the

⁸² Ibid., p. 35.

⁸³ Ibid., p. 39.

existing retrenchment basis, would be little less than 50 lakh; and if the subvention was limited as proposed to 50 lakh, there would be hardly any scope for improvement in the existing standard. In particular, there would be no prospect of improving education, agriculture and health services or of establishing a University for many years.⁸⁴

Niemeyer proposals involved great disparity in treatment among the 'assisted units, giving to Orissa a subvention far less per head of population than to other units who already had a far higher standard of expenditure per head. The Orissa Government asked for 10 lakh as an opening balance to cover unforeseen non-recurring expenditure and 10 lakh more as a recurring subvention to enable a popular government to make some slight improvement in the low existing standards during the opening years of the new Constitution, and to enable the Governor to discharge his responsibility for the partially excluded areas. The Orissa Government regarded these additional sums as essential in order to prevent the purpose of Parliament in bringing the Province into existence being stultified by inadequate initial resources.⁸⁵

The Orissa Government desired to press strongly for an additional subvention immediately on the further ground that the future relief by way of Income Tax would be very meagre. Thus, putting Orissa's future relief per head of population at 100, the figures in the estimates for the other Provinces were Madras 141, Bombay 461, Bengal 166, United Provinces 128, Punjab 139, Bihar 128, Central Provinces 136, Assam 97, North West Frontier Province 184, Sind 213; so that again the poorest Province received nearly the least of all.⁸⁶

It emerged that Orissa with practically the same population as Assam, with more than double the population of Sind and 3.5 times the population of the Frontier Province, was left with the minimum income including subvention from the Government of India.

⁸⁴ Ibid., p. 45.

⁸⁵ Ibid., p. 46.

⁸⁶ Ibid., p. 46.

Subvention given to Sind, if capitalized, brought by way of interest more than the subvention granted to Orissa.⁸⁷

Sir Otto Niemeyer devised that the provinces be given assistance through – cancellation of pre-1936 debts of certain provinces, decentralization of balances, hiking of the jute export duty by 12.5 per cent, and annual cash subventions.⁸⁸

Further, with regard to assignment of income-tax proceeds, Sir Niemeyer, having factored in the rigidity of central expenditure and decline of certain revenue sources was unable to suggest for anything more than a 50 percent share for the provinces (vertical devolution). The respective provincial shares were to be devised on the basis of their population and residences (horizontal devolution).⁸⁹

These recommendations were accepted by the British Government and an Order in Council was issued accordingly on 3rd July 1936. Subsequently, on 1st April 1937, Provincial Autonomy was inaugurated in eleven provinces of British India.

The world broke into war in 1936. Nevertheless, the Order in Council issued in 1936, subject to slight modification in 1940, continued to determine the allocation of resources between the centre and the provinces until the partition of the nation in 1947.

The war entailed high central expenditure. Thereafter, to strengthen the central finances it was decided to allow the centre to retain a fixed amount out of the provincial share of income taxes. This scheme continued from 1940-41 to 1945-46.

The end of the war coincided with the setting up of a Constituent Assembly, entrusted with drafting of the Indian Constitution. Hereon we look into the financial devolution since the dawn of Independence in India.

⁸⁷ Government of Orissa, *Work of the Congress Ministry: From 19th July 1938 to 31st March 1939*. Government Press, Orissa, 1939.

⁸⁸ P. J. Thomas, *The Growth of Federal Finance in India: Being a Survey of India's Public Finances from 1833 to 1839*. London: Humphrey Milford, Oxford University Press, 1939, p. 417.

⁸⁹ Report of the First Finance Commission, GOI, 1952, Chapter II

Financial Devolution in Independent India

The Constituent Assembly, established to frame the Constitution of India in 1946, listed provisions relating to financial relations between Centre and the provinces. These were referred to an Expert Committee. The Expert Committee in turn, recommended that the net proceeds from income taxes, including corporation taxes, should be shared between the Centre and the provinces in a 40:60 proportion. The net proceeds of the Jute Export Duty were not to be shared with the provinces henceforth. However, the provinces were to be assigned some share of the central excise duties to balance their revenue structure.



*Rao Bahadur Sir Vangal
Thiruvengkatachari Krishnamachari
(1881 - 1964)*

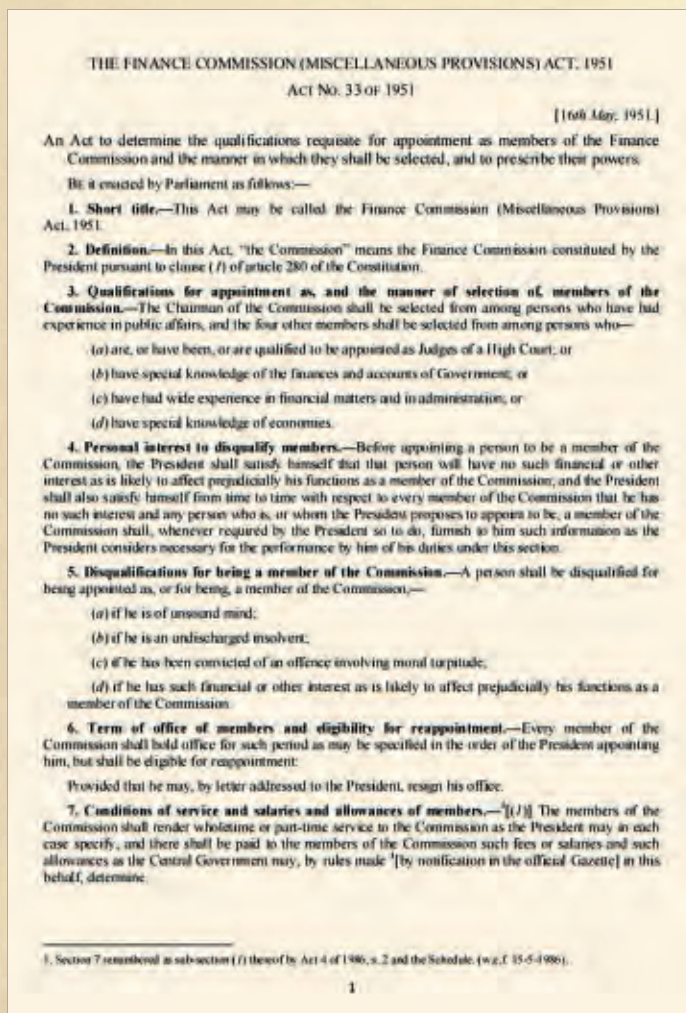
It was also proposed to establish a Finance Commission. The matters related to distribution of revenues between the centre and the provinces were to be attended by the Finance Commission.

With some minor modifications, the recommendations of the Expert Committee were accepted and embodied in the Draft Constitution. The distribution of fiscal powers was mostly governed by the provisions of the Government of India Act, 1935. The financial integration of the Part 'B' (Princely) States was to be worked out by the Indian States Finance Enquiry Committee. The committee was set up in 1948 with V.T. Krishnamachari as the Chairman.⁹⁰

A Finance Commission, however, could not be appointed immediately after the enforcement of the Constitution. Therefore, for the interim period between the commencement of the Constitution and the appointment of the Finance Commission, the Order of the President determined the distribution of income tax proceeds and grants-in-aid payments. However, after independence these arrangements failed to gratify the provinces. This called forth the appointment of another committee under the chairmanship of C.D. Deshmukh in December 1949.

⁹⁰<http://parliamentofindia.nic.in/lis/debates/vol10p5b.htm>

Recommendations of Deshmukh Award (1950-52): The Deshmukh Committee was concerned with the formulation of principles for devolution of income taxes among Part A States (formerly British Indian provinces). It recommended a redistribution of the aggregate quota available for devolution mainly on the basis of population with a weight in favour of the low income States. The Deshmukh Award did not deal with the matter of sharing of Union Excise Duties. The Award also made certain recommendations relating to grants-in-aid to the jute growing provinces in accordance with Article 273. The Deshmukh Award came into operation on 1st April 1950 and remained in force until 31st March 1952.⁹¹



*Finance Commission
Act, 1951*

⁹¹“Evolution of Financial Relations between the Centre and the States”. *Report of the First Finance Commission, 1952.*

The need for inter-governmental transfer arises as a result of fiscal imbalances between the Centre and States, as well as among the States. Regional differences in the pre-British period were mainly attributed to historical and national factors but the commercial and industrial development that characterized the British period (especially since the middle of the 19th century) intensified both vertical and horizontal fiscal imbalances. Therefore, the Constitution has endowed the Centre with several powerful instruments to address the issue of fiscal imbalance.

The inter-governmental transfer system to rectify vertical and horizontal imbalances is delineated in the Indian Constitution in Chapter I and II of Part XII of the Indian Constitution. Article 268 refers to duties levied by the Union but collected and appropriated by the states.—(1) Such stamp duties and such duties of excise on medicinal and toilet preparations as are mentioned in the Union List shall be levied by the Government of India but shall be collected— (a) in the case where such duties are leviable within any Union territory, by the Government of India, and (b) in other cases, by the states within which such duties are respectively leviable. (2) The proceeds in any financial year of any such duty leviable within any State shall not form part of the Consolidated Fund of India, but shall be assigned to that State.

Article 269 refers to taxes levied and collected by the Union but assigned to the states—

(1) Taxes on the sale or purchase of goods and taxes on the consignment of goods shall be levied and collected by the Government of India but shall be assigned and shall be deemed to have been assigned to the states on or after the 1st day of April, 1996 in the manner provided in clause

(2) Explanation.—For the purposes of this clause,— (a) the expression “taxes on the sale or purchase of goods” shall mean taxes on sale or purchase of goods other than newspapers, where such sale or

purchase takes place in the course of inter-State trade or commerce; (b) the expression “taxes on the consignment of goods” shall mean taxes on the consignment of goods (whether the consignment is to the person making it or to any other person), where such consignment takes place in the course of inter-State trade or commerce.(2) The net proceeds in any financial year of any such tax, except in so far as those proceeds represent proceeds attributable to Union territories, shall not form part of the Consolidated Fund of India, but shall be assigned to the states within which that tax is leviable in that year, and shall be distributed among those states in accordance with such principles of distribution as may be formulated by Parliament by law.

(3) Parliament may by law formulate principles for determining when a sale or purchase of, or consignment of, goods takes place in the course of inter-State trade or commerce.

Article 270 is on taxes levied and distributed between the Union and the states—

(1) All taxes and duties referred to in the Union List, except the duties and taxes referred to in Articles 268 and 269, respectively, surcharge on taxes and duties referred to in Article 271 and any cess levied for specific purposes under any law made by Parliament shall be levied and collected by the Government of India and shall be distributed between the Union and the states in the manner provided in clause ‘2’.

(2) Such percentage, as may be prescribed, of the net proceeds of any such tax or duty in any financial year shall not form part of the Consolidated Fund of India, but shall be assigned to the states within which that tax or duty is leviable in that year, and shall be distributed among those states in such manner and from such time as may be prescribed in the manner provided in clause ‘3’.

(3) In this article, “prescribed” means, — (i) until a Finance Commission has been constituted, prescribed by the President by

order, and (ii) after a Finance Commission has been constituted, prescribed by the President by order after considering the recommendations of the Finance Commission.

Article 271 provides surcharge on certain duties and taxes for purposes of the Union. Notwithstanding anything in articles 269 and 270, Parliament may at any time increase any of the duties or taxes referred to in those articles by a surcharge for purposes of the Union and the whole proceeds of any such surcharge shall form part of the Consolidated Fund of India.

Article 272 is omitted by the Constitution (Eightieth Amendment) Act, 2000 [Taxes which are levied and collected by the Union and may be distributed between the Union and the states].

Article 273 entails grants-in-aid of the revenues of the State of Assam, Bihar, Orissa and West Bengal, in lieu of assignment of any share of the net proceeds in each year of export duty on jute and jute products to those states.

Article 275 relates Grants from the Union to certain states - such sums as Parliament may by law provide shall be charged on the Consolidated Fund of India in each year as grants-in-aid of the revenues of such states as Parliament may determine to be in need of assistance, and different sums may be fixed for different states: Provided that there shall be paid out of the Consolidated Fund of India as grants-in-aid of the revenues of a State such capital and recurring sums as may be necessary to enable that State to meet the costs of such schemes of development as may be undertaken by the State with the approval of the Government of India for the purpose of promoting the welfare of the Scheduled Tribes in that State or raising the level of administration of the Scheduled Areas therein to that of the administration of the rest of the areas of that State. These grants-in-aid are usually general purpose unconditional grants.

Article 280-281 provides for the constitution of a Finance Commission and recommendations of Finance Commission.

Article 282 refers expenditure defrayable by the Union or a State out of its revenues.—The Union or a State may make any grants for any public purpose, notwithstanding that the purpose is not one with respect to which Parliament or the Legislature of the State, as the case may be, may make laws.⁹²

Finance Commission

The Finance Commission (FC) was created as a constitutional body to address issues of vertical and horizontal imbalances of federal finances in India. Apart from its constitutional tasks of deciding the proportion of tax revenue to be shared with the states and the principles governing the grants-in-aid of the revenues of the states, the scope of the FCs broadened over time as they were assigned several other issues on government finances, particularly those relating to augmentation of State Consolidation Funds to supplementing the resources of local bodies and debt-related issues.

The approach of successive FCs varied as they addressed concerns raised by states from time to time regarding the composition of the divisible pool of central taxes and inter se distribution criteria. Recent constitutional changes have simplified the sharing arrangement of the divisible pool of central taxes by clubbing all shareable central taxes and excise duties. While determining the formula for horizontal distribution of inter se shares of states, various FCs attempted to correct the differentials in revenue capacity and cost disability factors inherent in the economies of states, and to foster fiscal efficiency.

However, differences have been noticed in selection, definition and weight of variables that have been used by FCs to prescribe the devolution formula for central taxes. More recently, the Thirteenth

⁹²Ministry of Law and Justice, Government of India, *The Constitution of India*.

FC has placed greater emphasis on fiscal capacity distance and fiscal discipline, which is expected to facilitate greater convergence among the states. In the context of grants, there has been some shift from a gap filling approach to a normative assessment of resource requirements and expenditure. The pattern of transfers through the FC channel shows that the share in central taxes has persistently been the predominant component of revenue sharing since the First FC. As far as the extent of equalisation is concerned, an analysis of transfers as recommended by four successive FCs (from the Tenth to the Thirteenth) shows that it was the highest in the case of the Eleventh FC as the gap between recommended and benchmark transfers was minimum.⁹³

In reviewing the inter-se distribution of the aggregate shares of states in central tax revenues, the approach of the Finance Commissions can be summarized in three distinct phases. Up to Seventh Finance Commission, the distribution formulae used for determining the income tax share were clearly distinct from those for the Union excise duties and were given under two separate articles of the constitution, that is, Article 270 and Article 272. Article 270 had provided for mandatory sharing of income tax and Article 272 had provided for sharing of Union excise duties at the discretion of the Centre. This may be considered as Phase I.

Since then, a process of convergence between the two sets of formulae began. A full convergence was arrived at with the recommendation of the Eleventh Finance Commission, after a major recommendation to the constitution i.e. the 80th Amendment. An 'Alternative Scheme of Devolution' was recommended by the Tenth Finance Commission whereby, after a constitutional amendment, proceeds of all central taxes were to be shared with the state Governments. The central Government accepted the alternative scheme and implemented through the 80th Constitutional Amendment with a view to achieve stability in the overall transfers from the Centre to the states. The

⁹³ Reserve Bank of India, *State Finances: A Study of Budgets of 2010-11*, March 2011.

80th Amendment reflects vertical transfer, equity, incentives for efficiency and cost disadvantages. The period from Eighth to Tenth Finance Commission before the alternative scheme of devolution was implemented may be considered as Phase II. Eleventh Finance Commission onwards may be considered as Phase III.⁹⁴

In relation to grants, there are two duties cast upon the Finance Commission jointly by Article 280(3)(b) and Article 275. Article 280(3)(b) requires the Commission, to make recommendations as to the 'principles' which should govern such grants-in-aid. Following from Article 275(1), specific 'sums' are to be recommended to be paid to the states assessed to be in 'need of assistance'. It is significant to note that while Article 270 (for division of taxes) speaks of percentage share, Article 275 refers to specific 'sums'. The constitution prescribes that these grants are to be 'charged' on the Consolidated Fund of India and have to be recommended by a Finance Commission.⁹⁵

From 1952 to 2015, thirteen Finance Commissions have been appointed. Besides, the share of taxes to the States, Block Grants and Non-Plan Grants were provided to the States till the end of the Thirteenth Finance Commission.

In Eleventh Finance Commission (from 2000-01 to 2004-05), States' share in the net proceeds of personal Income Tax was recommended to be increased from 77.5 per cent to 80 per cent for 2000-01. States' share in the net proceeds of Union Excise Duties was recommended to be increased from 47.5 per cent to 52 per cent for 2000-01. States' share in the net proceeds of Additional Excise Duties was recommended to be retained at the level of 97.797 per cent for 2000-01.

Twelfth Finance Commission (from 2005-06 to 2009-10) recommended that 30.5 per cent of the net proceeds of shareable central taxes may be distributed amongst all such states where any

⁹⁴ C. Rangarajan and D. K. Srivastava, *Federalism and Fiscal Transfers in India*. New Delhi: Oxford University Press, 2011.

⁹⁵ Ibid.

such central tax is leviable. If in any year during 2005-10, a particular central tax is not leviable in a State, the share of that State in that tax should be put to zero and the entire proceeds be distributed among the remaining State by proportionately adjusting their shares. For this purpose, additional excise duties in lieu of sales tax on textiles, tobacco and sugar are treated as part of the shareable pool of central taxes.

Thirteenth Finance Commission (from FY 2010-11 to FY 2014-15) recommended that the share of states in net proceeds of shareable central taxes shall be 32 per cent in each of the financial years from 2010-11 to 2014-15. Besides, Non-Plan Revenue Deficit grant for eight special category states (Arunachal Pradesh, Himachal Pradesh, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Tripura) was recommended at Rs 51,800 crore, the lowest ever in Finance Commission recommendations.⁹⁶

Grants-in-aid are an important component of Finance Commission transfers. The size of grants has varied from 7.7 per cent of total transfers under Seventh Finance Commission to 26.1 per cent under Sixth Finance Commission. Grants recommended by Twelfth Finance Commission amounted to 8.9 per cent of total transfers. In the Thirteenth Finance Commission, grants-in-aid constituted 18.03 per cent of total transfers.⁹⁷

One of such grants is the post devolution Non-plan Revenue Deficit (NPRD) grant. NPRD grants have ranged from maximum of 100 per cent of total grants, as recommended by Fourth and Fifth Finance Commissions, to 33.1 per cent, as recommended by the Ninth Finance Commission. NPRD grants amount to 39.86 per cent of the Twelfth Finance Commission grants. The Thirteenth Finance Commission recommendations for NPRD Grants amount to 16.26 per cent of the total grants, the lowest ever in FC recommendations.⁹⁸

⁹⁶ <http://fincomindia.nic.in/>

⁹⁷ P. Agarwal, *Fiscal federalism in India: Impact of Union Transfers on State Finances*. New Delhi: New Century Publication, 2012, p. 67.

⁹⁸ *Ibid.*, p. 67.

The Fourteenth Finance Commission (from FY 2015-16 to FY 2019-20) is of the view that tax devolution should be the primary route for transfer of resources to the states. Pursuing the recommendations of the Fourteenth Finance Commission, the states' share in the net proceeds of Union tax revenues increased to 42 per cent from 32 per cent earlier. This is the largest ever jump in percentage of devolution. The Commission was of the view that sharing pattern in respect to various centrally-sponsored schemes need to change. It advised the states to share greater fiscal responsibility for the implementation of such schemes. In pursuant to the recommendations of Fourteenth Finance Commissions, some of the schemes like NCA, SCA (untied), SPA, Additional Central Assistance for Other Projects (ACAOP), Other ACA, SCA for Hill Areas Development Programme (HADP/WGDP), SCA under Backward Regions Grant Fund (BRGF), National e-governance Plan (Mission mode project) and ACA for Left wing Extremism (LWE) Affected Districts have either been discontinued.⁹⁹

After independence in general and framing of the Indian Constitution in particular, the motive of promoting a rapid rise in the standard of living of the people by efficient exploitation of the resources of the country, increasing production and offering opportunities to all for employment in the service of the community assumed great importance. Therefore, making assessment of all resources of the country, augmenting deficient resources, formulating plans for the most effective and balanced utilization of resources and determining priorities accorded great importance.

However, the formulation of plans was conceived in the early forties when the nation was witnessing great infrastructure building transformation. The leaders aspired to attain a general standard of living over and above the basic minimum requirements of human life for all. Towards this end, animated debates and discussions were organized across the country. The Bombay Plan of 1944 was one such

⁹⁹Ministry of Law and Justice, Government of India, *The Constitution of India*.

endeavour put forth by eight renowned industrialists of the time - JRD Tata, Ghanshyam Das Birla, Sir Ardeshir Dalal, Lala Shriram, Kasturbhai Lalbhai, Ardeshir Darabshaw Shroff, Sir Purshottamdas Thakurdas, and John Mathai. It was a fifteen years long economic plan for India.¹⁰⁰

It estimated that per capita real income of the time would have to be doubled to attain the targeted consumption. The Plan envisaged an increase of 130 per cent in agricultural output, 500 per cent in industry and 200 per cent in the services, over the fifteen years of time horizon. A sector-wise outlay, worth Rs. 100 crore, was proposed. The plan was a bold vision on economic transformation of the nation.¹⁰¹

Although the Bombay Plan was never officially adopted, it paved the path for establishment of a Planning Commission on similar lines.

Planning Commission

Enamored by the success of planning in the Soviet Union, to steer the nation's economy, a Planning Commission was conceptualized. The leaders of the past had acknowledged the necessity of coordinated action in the economic field as a means to the economic development of the country. As the struggle for national independence progressed, its social or economic aims became more definite. Many programmes relating to national planning were adopted by the National Planning Committee which was set up in 1938 by the Indian National Congress with Jawaharlal Nehru as its Chairman.

In 1941, the Government of India appointed a committee for planning which was replaced by the Reconstruction Committee of the Executive Council in 1943. In 1944, a separate Planning and

¹⁰⁰ P. Thakurdas, J. R. D. Tata, G. D. Birla, A. Dalal, Shri Ram, K. Lalbhai, A. D. Shroff, and J. Matthai, *A Plan of Economic Development for India (Part I)*. Bombay: The Commercial Printing Press, 1944, pp. 44-47.

¹⁰¹ Ibid.

Development Department was established under the inspiration of the Planning Department. A number of development schemes were prepared by the Central and Provincial Governments. The problem of planning was reviewed towards the end of 1946 by the Advisory Planning Board established by the Interim Government.

The Advisory Planning Board suggested setting up of a Planning Commission. As a single compact authoritative organization directly responsible to the Cabinet, it was expected to devote continuous attention for overall development of the nation. The recommendation was accepted and the Planning Commission was established by a resolution of the Government of India dated 15th March 1950.

The objective of the Planning Commission was to promote a rapid rise in the standard of living of the people by efficient exploitation of the resources of the country, increasing production and offering opportunities to all for employment in the service of the community. The Planning Commission was charged with the responsibility of making assessment of all resources of the country, augmenting deficient resources, formulating plans for the most effective and balanced utilization of resources, and determining priorities. Jawaharlal Nehru was the first Chairman of the Planning Commission.

The first Five-year Plan was launched in 1951 and two subsequent five-year plans were formulated till 1965, when there was a break because of the Indo-Pakistan conflict. Two successive years of drought, devaluation of the currency, a general rise in prices and erosion of resources disrupted the planning process, and after three Annual Plans between 1966 and 1969, the fourth Five-year plan was started in 1969. The Eighth Plan could not take off in 1990 due to the fast changing political situation at the Centre and the years 1990-91 and 1991-92 were treated as Annual Plans. The Eighth Plan was finally launched in 1992 after the initiation of structural adjustment policies.



Planning Commission housed in Yojana Bhawan



Planning Commission: PM Jawaharlal Nehru discussing with the members of Planning Commission (First Plan)

For the first eight Plans the emphasis was on a growing public sector with massive investments in basic and heavy industries, but since the launch of the Ninth Plan in 1997, the emphasis on the public sector became less pronounced. From a highly centralized planning system, the Indian economy gradually moved towards indicative planning where Planning Commission concerned itself with the building of a long term strategic vision of the future and deciding on priorities of the nation. It worked out sectoral targets and provided promotional stimulus to the economy to grow in the desired direction.

Planning Commission played an integrative role in building a holistic approach to policy formulation in critical areas of human and economic development. In the social sector, schemes which require coordination and synthesis like rural health, drinking water, rural energy needs, literacy and environment protection lacked coordinated policy formulation. This had resulted in multiplicity

of agencies. An integrated approach would lead to better results at much lower costs, it was asserted.

The Commission emphasized on maximizing the output by using the limited resources optimally. Instead of looking for mere increase in the plan outlays, the effort was to look for increases in the efficiency of utilization of the allocations being made. With the emergence of severe constraints on available budgetary resources, the resource allocation system between the states and Ministries of the central Government came under strain. This required the Planning Commission to play a mediatory and facilitating role, keeping in view the best interest of all concerned. It had to ensure smooth management of the change and help in creating a culture of high productivity and efficiency in the government.

The key to efficient utilization of resources lies in the creation of appropriate self-managed organizations at all levels. In this area, Planning Commission endeavoured to play a systems change role and provide consultancy within the government for developing better systems. In order to spread the gains of experience more widely, Planning Commission also played an information dissemination role.

Besides, National Development Council (NDC) was formed on 6th August 1952 to provide assistance to the Planning Commission and the States. It constituted of the Prime Minister, Chief Ministers of all States and members of the Planning Commission. The functions assigned to the NDC involved reviewing of the working of the National Plan from time to time, deliberating on important questions of social and economic policy affecting national development, and recommending means for the achievement of the aims and targets set out in the National Plan.

Up to the 3rd Five Year Plan (1961-66) and during Plan Holiday (1966-69), allocation of Central Plan Assistance was schematic and no formula was in use. The states were highly dependent on the Union government for financing their development plans. The extra

resources on which states could bank on were largely concentrated with the Union government. Hence, the Gadgil formula was devised with the formulation of the fourth five-year plan for the distribution of plan transfers amongst the states based upon the objective criteria. It was named after D. R. Gadgil, then deputy chairman of the Planning Commission.

The Gadgil Formula, though well-intentioned, did not achieve much success in reducing inter-state disparities. Therefore, the formula was modified (Modified Gadgil Formula) on the eve of the formulation of the 6th Plan. The modified Gadgil formula resulted in a more progressive distribution of Central Plan Assistance. In the period spanning the beginning of the Fourth Plan to the Seventh Plan, the dependence of the states on Central Plan Assistance for financing their Plan outlays declined for all states. Despite this trend, the low income states depended heavily on Central Plan Assistance for funding their outlays, even though this assistance increased considerably after the modification made to the Gadgil formula. The Centre has resorted to funding states for the implementation of Centrally Sponsored Schemes, which form 80 per cent of Plan Assistance. Due to reservations of state Governments on revision, a Committee under Shri Pranab Mukherjee, then Deputy Chairman, Planning Commission was constituted to evolve a suitable formula. The suggestions made by the Committee were considered by NDC in December 1991, where following a consensus, the Gadgil-Mukherjee Formula was adopted. It was made the basis for allocation during 8th Plan (1992-97) and was used thereafter. As the Planning Commission was abolished on 1st January 2015, the Gadgil formula based grants have also been discontinued.¹⁰²



*Dhananjay Ramchandra Gadgil
(1901-1971)*

Besides the Finance Commissions, the Planning Commission continued to take centre stage in regulating the centre – state financial and planning matters for more than sixty years. Another Constitutional body, the

¹⁰² R. Ramalingom, and K.N. Kurup, “Plan Transfers to States: Revised Gadgil Formula, an Analysis”, Economic and Political Weekly, March 2, 1991.

Inter-State Council also continued to function simultaneously mainly aiming at resolving inter-state and centre-state issues. Many committees and commissions, notably the Administrative Reforms Commission (1969), the Sarkaria Commission (1983) and Punchhi Commission (2010), were also set up which also made recommendations on financial relations between the Centre and the States.

Plan and Non-Plan Expenditure

The classification of expenditure into Plan and Non Plan, although not rooted in the Constitution, evolved with planning process. Over a period of time, several issues cropped up from the distinction between plan and non-plan, making it dysfunctional and an obstacle in outcome based budgeting.

In this backdrop, a High Level Expert Committee was set up in 2011 headed by the then Chairman of the Economic Advisory Council to the Prime Minister (PMEAC), Dr. C. Rangarajan, to suggest measures for the efficient management of public expenditures. The Committee recommended that the distinction between Plan and Non Plan should be removed for both Union and State Budgets. On removal of Plan/ Non-Plan distinction in the Budget, there would be a fundamental shift in the approach of public expenditure management- from a segmented view of Plan and Non-Plan to holistic view of expenditure; from a one year horizon to a multi-year horizon; and from input based budgeting to the budgeting linked to outputs and outcomes. This shift to holistic view of expenditure would require inter-alia changes in organizational structure, mandates and processes.¹⁰³

However, the decision to drop the distinction between plan and non-plan expenditure in the Union Budget was taken up by the Central Government from the Union Budget 2017-18 onwards, two years after the Government dismantled the Planning Commission.

¹⁰³ Planning Commission, Government of India, *Report of the High Level Expert Committee on Efficient Management of Public Expenditure*, July 2011.

NITI Aayog

After the abolition of Planning Commission, the National Institution for Transforming India, also called NITI Aayog, was formed via a resolution of the Union Cabinet on 1st January 2015. NITI Aayog has been envisaged as a premier policy ‘Think Tank’ of the Government of India, providing both directional and policy inputs. While designing strategic and long term policies and programmes for the Government of India, NITI Aayog aims to provide relevant technical advice to the Centre and states. At the core of NITI Aayog’s creation are two hubs – Team India Hub and the Knowledge and Innovation Hub. The Team India Hub is aimed at the engagement of states with the Central Government, while the Knowledge and Innovation Hub aims to build NITI Aayog’s think-tank capabilities. These hubs reflect the two key tasks of the Aayog. NITI Aayog aspires to develop itself as a state-of-the-art resource centre, with the necessary resources, knowledge and skills, that will enable it to act with speed, promote research and innovation, provide strategic policy vision for the government, and deal with contingent issues.¹⁰⁴

*National Institution for
Transforming India (NITI) Aayog*



¹⁰⁴ <http://niti.gov.in>

Departing from the practice of presenting the Budget proposals at the end of February, the Union Government presented the budget for the year 2017-18 on 1st February 2017. The date of budget presentation was advanced so that expenditure could be authorized by the time the new financial year begun. The plan and non-plan classification has also been done away starting from the financial year 2017-18. The document, 'Expenditure Profile' is a successor to the erstwhile 'Volume-I of the Expenditure Budget' of the Plan-Non-Plan vintage. Also, ending a 92-year-old practice of a separate budget, the railway budget was merged with the general budget in 2017-18.

Evolution of Fiscal Sustainability

Fiscal Sustainability ensures inter-generational equity in fiscal management, long run macroeconomic stability, better coordination between fiscal and monetary policy, and transparency in fiscal operation of the Government.¹⁰⁵

At present, the states have gained greater degree of independence in charting their own path to development. They are required to wisely manage their scarce resources without compromising on the creation of social and economic infrastructure. Therefore, fiscal sustainability is fundamental to the Public Expenditure Policy.

Fiscal sustainability is a state wherein the government budget can be smoothly financed without generating explosive increases in public debt over time. When this condition is met, the budget is said to be sustainable and, unsustainable, when the condition is not met.¹⁰⁶

It is worth noting that the issue of fiscal responsibility was on the radar of the architects of the Indian Constitution. Thus, Article 292

¹⁰⁵ J. Ntamungiro, "Fiscal Sustainability in Heavily Indebted Countries Dependent on Nonrenewable Resources: The Case of Gabon". *IMF Working Paper*, WP/04/30.

¹⁰⁶ C. Adams, B. Ferrarini, and D. Park, "Fiscal sustainability in developing Asia". *Asian Development Bank Economics Working Paper Series*, WPS No. 205, June 2010.

states “the executive powers of the Union extends to borrowing upon the security of the Consolidated Fund of India within such limits, if any, as may from time to time be fixed by Parliament by law and to the giving of guarantees with such limits, if any, as may be so fixed”.

Speaking in the Constituent Assembly, Dr. B. R. Ambedkar said, “*from all points of view, this Article is sufficient to cover all contingencies and I have no doubt about it that we hope that Parliament will take this matter seriously and keep on enacting laws so as to limit the borrowing authority of the Union. I go further and say that I not only hope but expect that Parliament will discharge its duties under this Article*”.¹⁰⁷

In 1999, there was an acute fiscal stress in India. During 1994-99, the average fiscal deficit of the Union was over 6 per cent of GDP. The total liabilities of the Union increased from Rs.6,30,071 crore in 1994-95 to Rs.10,12,486 crore in 1998-99. If the external debt were to be revalued at current exchange rates prevalent on 31st March 1999, total central Government liabilities would have been about 50 per cent of GDP, almost as high as they were in the crisis years of the early 1990s. Even so, the assessment of public debt would be incomplete because the liabilities of the State Governments also need to be considered for fair international comparison.

At the end of 1998-99, total central Government liabilities were Rs.875,625 crore (at historical rates of exchange for external debt) whereas its total assets at book value (cumulative capital expenditure at historical cost plus outstanding loans) stood at Rs.528,399 crore. The gap represented cumulative debt incurred to finance revenue expenditures. The average cost of borrowing, being significantly higher than the average rate of return from investments, compounded the problem by continually widening this mismatch. The rising interest burden became a matter of deep concern.

¹⁰⁷ FRBM Review Committee, “Introduction”. *FRBM Review Committee Report*, Vol. I, January 2017, p. 5.

Owing to a sharp increase in the interest burden since 1991– the Union Government consciously resorted to borrowing from the open market to finance fiscal deficits and to move away from the monetization of deficits through constant rollover of Treasury Bills issued at rates far below the market rate.

Also, controls on investments of Insurance/Pension/Provident Funds, etc. and statutory preemptions of investible funds of banks were whittled down substantially to reduce financial repression through captive sources of financing deficits.¹⁰⁸

Against this background, an initiative was taken in the Ministry of Finance to study international legislative practice in controlling public debt and deficits to suggest a draft 'Public Debt and Guarantee Limitation Act' for India.

The draft sought the elimination of the revenue deficit within five years, a steady reduction in the fiscal deficit, capping the growth rate of the stock of liabilities at the growth rate of net tax revenue receipts, the elimination of asset-liability mismatches on a book value basis within 10 years and capping outstanding guarantees to 10 per cent of outstanding liabilities.¹⁰⁹

Considering the above-mentioned study report and draft law and taking note of the prevailing fiscal stress, a ten-member Committee was set up on 17th January 2000, with the Finance Secretary, Dr. E.A.S. Sarma as its Chairman. The Committee submitted its recommendations as well as a draft Fiscal Responsibility Legislation (FRL) to the Finance Minister on 4th July 2000.

The Committee identified three categories of indicators for numerical fiscal targets with specific time frames: (i) deficit, (ii) debt, and (iii)

¹⁰⁸ FRBM Review Committee, "Historical Perspective". *FRBM Review Committee Report*, Vol. I, January 2017, p. 16.

¹⁰⁹ *Ibid.*, p. 15.

borrowing. Such normative ceilings would also facilitate casting the legislation within the scope of Article 292 of the Constitution.

The Committee took a broad approach. Although fiscal responsibility, imposed by prescribing explicit numerical fiscal targets, was an integral part of the proposed legislation, it also stressed on issues of budget management, preparation, presentation, and transparency. The proposed legislation was therefore named as the Fiscal Responsibility and Budget Management Act.

The Committee sought to discourage excessive deficit for accumulating capital assets by mandating a progressive reduction in the fiscal deficit by 0.33 per cent of GDP at the end of each financial year so as to reduce the fiscal deficit to no more than 3 per cent of GDP in five years ending on 31st March 2006.

The Committee also recommended the complete elimination of the revenue deficit in five years ending on 31st March 2006 through annual reductions of 0.5 per cent of GDP, and to build up an adequate revenue surplus thereafter. This would ensure the observance of the 'golden rule', i.e., revenue surpluses would be used for the purpose of discharging liabilities in excess of assets. In addition to limits on the deficit, the proposed legislation also limited guarantees to 0.5 per cent of GDP in any given financial year. The Committee also advocated a debt-GDP ratio of 50 per cent in a period of 10 years commencing on 1st April 2001.¹¹⁰

To bolster the reporting and monitoring of the fiscal conduct of the government, the Committee made a case for a Fiscal Management Review Committee (FRMC). The primary remit of the FRMC would be to conduct ex-post reviews of government budgets. Additionally, the FRMC may be tasked with intra-year reviews, particularly in light

¹¹⁰ FRBM Review Committee, "Historical Perspective". *FRBM Review Committee Report*, Volume I, January 2017, p. 16.

of the trend of unusually large supplementary grants that induce large differences between budget estimates, revised estimates, and actuals, and thus, undermine the budget-making process itself.

Consequently, Fiscal Responsibility and Budget Management Act (FRMBA) was introduced in Parliament as the FRBM Bill in December 2000 with the intention of fostering fiscal discipline; efficient management of expenditure, revenue and debt; and achieving a balanced budget. The FRBM Act, 2003 is a law enacted under Article 292 of the Constitution (read with Article 283) empowering the government to borrow upon the security of the Consolidated Fund of India 'within such limits, if any, as may from time to time be fixed by Parliament by law and to the giving of guarantees within such limits, if any, as may be so fixed'. Article 293 stipulates restrictions on the power of state Governments to borrow.¹¹¹

FRBMA provides for the responsibility of the central Government to ensure inter-generational equity in fiscal management and long term macro-economic stability by achieving sufficient revenue surplus and removing fiscal impediments in the effective conduct of monetary policy and prudential debt management consistent with fiscal sustainability through limits on the central Government borrowings, debts and deficits, greater transparency in fiscal operations of the central Government and conducting fiscal policy in a medium-term framework.

Following the enactment of FRBM Act, Government constituted a task force headed by Dr. Vijay Kelkar for drawing up the medium term framework for fiscal policies to achieve the FRBM targets. The task force was also asked to formulate annual targets indicating the path of adjustment and required policy measures. It submitted its report in July 2004. The task force recommended a path of fiscal

¹¹¹ Ibid., p. 15.

adjustment that is front-loaded and mainly revenue-led, with complementary reform efforts on revenue expenditure and enhanced capital expenditure to counteract the possible contractionary effects of fiscal correction.¹¹²

FRBMA prescribed a yearly reduction of 0.3 percent of GDP, fiscal deficit was targeted to reach 3 percent of GDP by 2008-09. Similarly, revenue deficit was fixed to be eliminated by 2008-09 with a 0.5 percent reduction every year. Unfortunately, targets were suspended and the Act was put on hold in 2007-08 due to the Global Financial Crisis (GFC).¹¹³

The 2012 amendment to the FRBM Act mandated the Government to eliminate the 'effective revenue deficit' (ERD) by 2014-15 with minimum annual reduction of 0.8 percent of GDP and also to reach a revenue deficit of not more than 2 per cent of GDP by 2014-15. The target was deferred to 2017-18.

The FRBMA is commonly associated with numerical ceilings on fiscal indicators. Yet, the Sarma Committee had equally emphasized improvement in the quality of budget management through a medium term outlook to budgeting, transparency and monitoring mechanisms, and accounting reforms, which formed part of the FRBM enforcement mechanism to bring in civil society suasion and to discourage financial engineering to game the compliance system.¹¹⁴

In order to allow for sufficient flexibility in fiscal management in the event of an unforeseen macroeconomic shock, the proposed law included an escape clause which allowed the Government to deviate on grounds of unforeseen demands on the finances of the central Government due to well-defined events: national security and national

¹¹² Ibid., p. 21.

¹¹³ Ibid., p. 17.

¹¹⁴ Ibid., pp. 17-18.

calamity. It also mandated that the grounds for breaching the targets shall immediately be placed before both Houses of Parliament.

One significant development in State finances relates to enactment of Fiscal Responsibility Legislation (FRLs) by the States. Making the process of fiscal correction a binding force, FRL is expected to augment fiscal discipline and provide a more realistic correction path. A rule based policy would also make the fiscal policy of the state Governments more credible. The State Governments have remained resolute in their path of fiscal correction and consolidation as evident from the policies proposed in their budgets. The State Governments have, in general, targeted revenue augmentation along with efforts to contain Non-Plan revenue expenditure. The Fiscal Responsibility Legislation was enacted first in Karnataka in 2002, followed by Tamil Nadu, Kerala and Punjab in 2003. Odisha implemented the FRBM Act in 2005.

Odisha FRBM Act, 2005 necessitates the Medium Term Fiscal Plan to be laid before the Legislature, Fiscal Management Principles, Fiscal Management Targets, Measures for Fiscal Transparency, Acknowledgement of liabilities in Annual Budget, Measures to enforce Compliance, etc.

To ensure fiscal sustainability, the Twelfth Finance Commission recommends that the central Government discontinue lending to states from 2005-06 on account of Central Plan Assistance. States are now allocated additional market borrowings in lieu of loan component of normal central assistance. Besides, external loan assistance now comes to states from the Centre on back-to-back basis without any mark up. This measure has provided relief to the states in terms of cost of borrowing but the states are to bear the foreign exchange risk that were earlier borne by the Centre.

The FRBM Act provides for an independent review/monitoring of compliance of the implementation of the Act through an amendment in 2012. This feature was introduced in the Act after

the recommendations of the Thirteenth Finance Commission in this regard.

To ensure fiscal sustainability, advanced countries around the world have adopted budgetary management and fiscal responsibility laws since the turn of the century. Illustratively, Australia, Brazil, Canada, Mexico, Republic of Korea, United Kingdom and the United States have all established budget management offices with varying levels of parliamentary oversight.

In recent years, increasing number of advanced and some emerging economies are using independent bodies (“fiscal councils”) to further enhance the credibility of their fiscal rules so as to ensure fiscal sustainability.¹¹⁵

Therefore, the need for a Fiscal Council, in one form or the other, has been a recurring theme from the inception of the first Fiscal Responsibility and Budget Management Act, 2003 (‘FRBM Act’). The Report of the Committee on Fiscal Responsibility Legislation, on the basis of which the first FRBM Act was drafted, had proposed the constitution of a Fiscal Management Review Committee.

The Thirteenth Finance Commission recommended the constitution of an independent review mechanism by the Centre to evaluate its fiscal reform process. It recommended the establishment of a mechanism: *“to conduct an annual independent and public review of FRBM compliance, including a review of the fiscal impact of policy decisions on the FRBM roadmap. This review should present its findings concurrently with the annual budget and the medium term strategy ...it is imperative that such an institution be developed to assist the Government in addressing its fiscal tasks in a professional, transparent and effective manner.”*¹¹⁶

¹¹⁵ FRBM Review Committee, “International Experience”. *FRBM Review Committee Report*, Vol. I, January 2017, p. 41.

¹¹⁶ *Report of the Thirteenth Finance Commission*, Paras 9.65- 9.66, 2009, available at <http://fincomindia.nic.in/ShowContentOne.aspx?id=28&Section=1>.

The Thirteenth Finance Commission suggested that the proposed Fiscal Council should be an autonomous body, reporting to the Ministry of Finance, which should further report to Parliament on the matters dealt with by the Council.¹¹⁷

The Fourteenth Finance Commission too noted that globally, several countries had constituted fiscal councils which help in monitoring and evaluating fiscal policies and management. These also create transparency by providing costing estimates of various programmes, and increase accountability of the Government.¹¹⁸

Accordingly, they expressed the view that: *“it is important to have an ex-ante evaluation of the fiscal implications of the budget proposals and, therefore, believe that it is essential to establish an independent fiscal institution for this purpose. This could be done through the establishment of a fiscal council by an amendment to the FRBM Act, similar to the one that enables the ex-post assessment by the C&AG..... In the light of the above, we recommend an amendment to the FRBM Act inserting a new section mandating the establishment of an independent fiscal council on the lines indicated above to undertake ex-ante assessment of the fiscal policy implications of budget proposals and their consistency with fiscal policy and Rules...”*¹¹⁹

On this basis, it is clear that the need for a Fiscal Council in India is widely recognized as part of the new institutional framework for strengthening of fiscal sustainability. In the federal system ensuring fiscal sustainability at the state level is particularly challenging, given the pervasiveness of the so-called deficit bias in the conduct of State fiscal policy.

The effectiveness of fiscal sustainability depends on design and implementation of fiscal rules. The implementation of fiscal rules is particularly linked to the existence of sound budgeting, or more

¹¹⁷ Ibid.

¹¹⁸ Report of the Fourteenth Finance Commission, Paras 14.96-14.99, 2015.

¹¹⁹ Report of the Fourteenth Finance Commission, Para 14.100, 2015.

broadly, the Public Financial Management System (PFMS). The effectiveness of State fiscal rules also depends on the design of the intergovernmental fiscal framework.

The evolution of the financial administration and budgetary processes in India has molded the way the State conducts these processes. Therefore, it was pertinent to first familiarize ourselves with the financial administration, to be appreciative of the budgetary processes. We now move to gather the salient features of Odisha's financial administration and budgetary process which will help understand and appreciate the eighty years' budgets that we shall explore thereafter.



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<http://www.crl.edu/>

CRL collects broadly in the area of primary legal and government resources, with an emphasis on serial publications from Central Governments including legislative, administrative, financial, and statistical reports. CRL purchases government archives and records through CRL's cooperative collection building programs.

<http://en.wikipedia.org/>

This is a very comprehensive encyclopedia on the web. The definitions of economic and statistical terms can also be seen on this, with links to all the details.

<http://fincomindia.nic.in/>

This website was created by the Twelfth Finance Commission (2002-2003). It contains the report of all the fourteen FCs and also the data base on the finances of the States.

<http://www.goidirectory.nic.in/>

This is the official centralized website of the Government of India. It has links to the various Ministries and Departments as also to the websites of the other organs of the State such as the Supreme Court, the House etc.

<https://naaa.gov.in/>

This is official website of National Academy of Audit and Accounts (NAAA) is the apex training institute of the Indian Audit & Accounts Department (IA&AD).

<http://niti.gov.in>

This is the official website of NITI Aayog (National Institution for Transforming India). The recent developments in Centre-State relationships are available on this site.

<http://www.parliamentofindia.nic.in/>

This website has three parts, related to the President of India, the Rajya Sabha and the Lok Sabha, respectively. Among other things, the latter two links display the proceedings of the respective Houses.

<http://pib.gov.in/>

This website of the Press Information Bureau, commonly abbreviated as PIB, is a nodal agency of the Government of India. Press Information Bureau disseminates information to the print, electronic and new media on government plans, policies, programme initiatives and achievements.

<http://planningcommission.nic.in/>

This is the website of the Planning Commission. It displays all the ten five-year plan documents, related data base as well as the latest mid-term appraisal of the current five-year plan. The Human Development Report 2001 is also available on this site.

<https://www.rbi.org.in/>

This website of the Reserve bank of India places all its major publications, such as the Handbook of Statistics on the Indian Economy, the State Finances- Study of State Budgets, the Annual Reports on Currency and Finance, as also the voluminous time series data relating to banking, currency, finance, and economy.

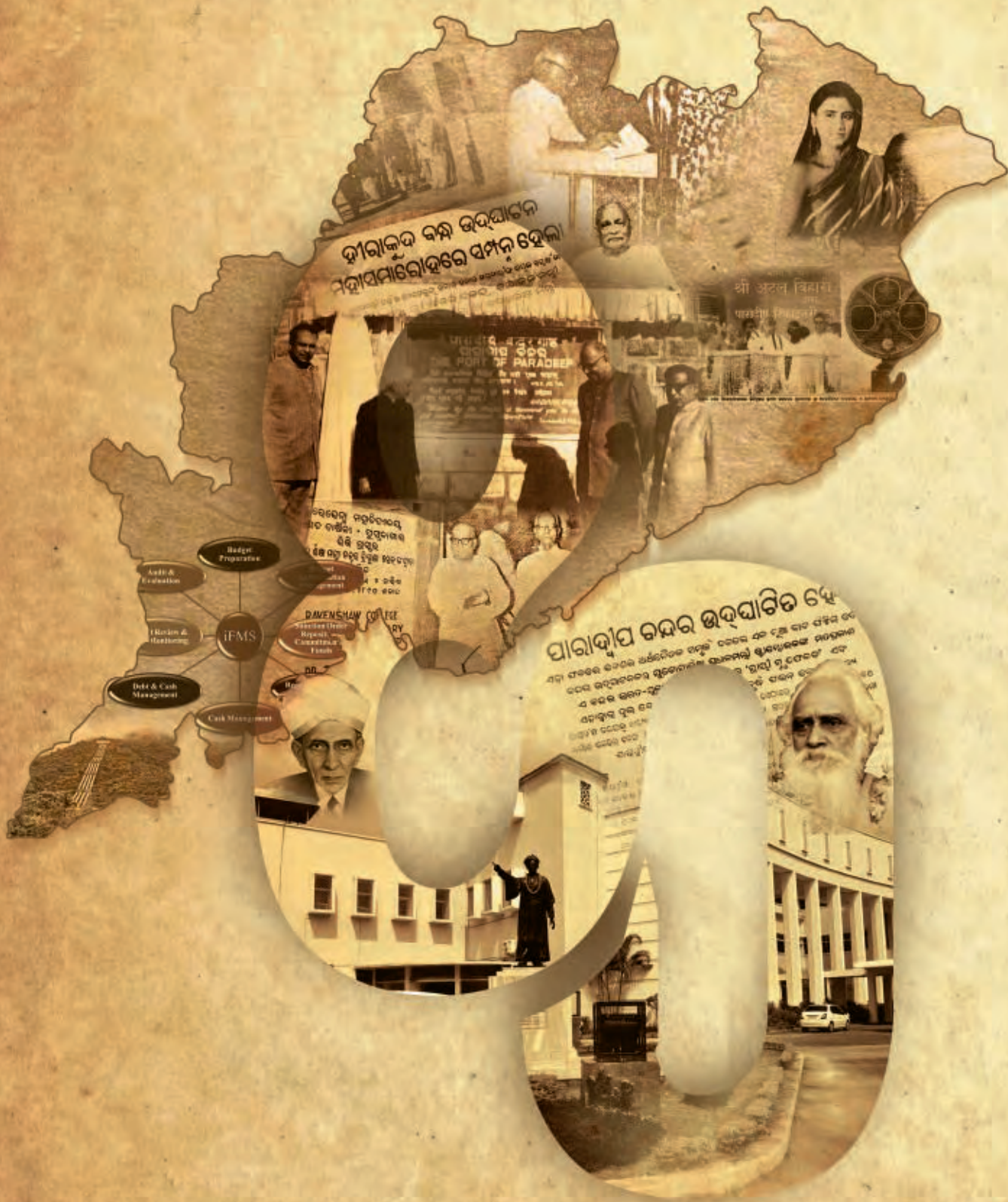


Government of Odisha

CHAPTER 3

A Study of 80 Years
of Odisha Budget





ଦ୍ଵାରାକୁପ ବନ୍ଧି ଉଦ୍ଘାଟନ
ମହାସମାରୋହରେ ସମ୍ପନ୍ନ ହେଲା

ଶ୍ରୀ ଅନନ୍ତ ବିହାରୀ
ପାଠ୍ୟପୁସ୍ତକ ବିଭାଗ

ପାରାଦ୍ଵୀପ ବିଦ୍ୟାଳୟ
PARADISE

DAVENSHAW COLLEGE
Bhubaneswar

ପାରାଦ୍ଵୀପ ବିଦ୍ୟାଳୟ
ପାରାଡ଼ିସ୍



Section - I

Budgetary System in Odisha





Introduction

The practice of public finance manifests an inalienable relationship between administration and finance. Revenue receipts of the Governments are garnered through the State administrative apparatus, and in turn all the expenditures of administrative activities are met from the revenues.

The budget is one of the principal tools of administration and the most powerful instrument of legislative control and executive management. Admittedly, budget being an important equipment of financial administration involves large number of policy implications and fiscal decisions. Apart from financial control, the main objective of preparing a budget is the enforcement of economy. The priorities of the economy decide the budgetary allocations for different sectors.¹²⁰

The word 'budget' is derived from the French word 'bougette', meaning a small leather bag or wallet. The word was first used in 1733 in connection with Walpole's financial scheme in a satire titled 'The Budget Opened'. Walpole was represented in this pamphlet as a conjuror, the budget being his wallet or bag of tricks. Since then the English newspapers publish photographs of the Chancellor of the Exchequer with an attaché case in his hand containing his financial proposals, while going to the House of Commons to deliver his budget speech. The cliché, 'Opening the Budget', is now the accepted parliamentary phraseology. Subsequently, the meaning of the word 'budget' has changed from the bag to the documents of the financial proposals, which the Chancellor of the Exchequer presents before the Parliament annually.

The word 'Budget' is never mentioned in the Indian Constitution.

¹²⁰ P. E. Taylor, "Fiscal Administration". *The Economics of Public Finance* (Third Edition), New Delhi: Oxford & IBH Publishing Co., 1961, p. 15.

Instead, the term 'Annual Financial Statement' is used which extends the scope and implication of the Budget. Article 112(1) of the Constitution of India states that - The President shall in respect of every financial year cause to be laid before both the Houses of Parliament a statement of the estimated receipts and expenditure of the Government of India for that year, in this Part referred to as the 'Annual Financial Statement'.

Likewise, Article 202 (1) of the Constitution of India states that - The Governor shall in respect of every financial year cause to be laid before the House or Houses of the Legislature of the State, a statement of the estimated receipts and expenditure of the State for that year, in this part referred to as the 'Annual Financial Statement'.

In accordance with the Constitution of India, the Budget consists of the following three parts, namely:-

Part I- Consolidated Fund of the State (Article 266)

Part II- Contingency Fund of the State (Article 267)

Part III- Public Account of the State (Article 266)

Article 266 (1) of the Constitution of India provides that all revenues received by the Government, all loans raised by that Government by the issue of bonds, loans or ways and means advances and all moneys received by that Government in repayment of loans shall form one consolidated fund to be entitled the 'Consolidated Fund of India or of the State concerned'. Article 266 (3) of the Constitution of India provides that 'no moneys out of the Consolidated Fund of India or the Consolidated Fund of a State shall be appropriated except in accordance with law and for the purpose and in the manner provided in this Constitution'. The consolidated fund consists of Revenue Receipts, Capital Receipts, Revenue Expenditure and Capital Expenditure.

Article 267(2) of the Constitution of India provides that 'Contingency Fund' is in nature of an imprest for meeting unforeseen and emergent expenses. The Fund is placed at the disposal of the Governor, who can

authorise expenditure subject to post facto sanction of appropriation by the Legislature. At present the corpus of the Fund is Rs. 400 crore. The Contingency Fund is driven by the Orissa Contingency Fund Act, 1950.

Article 266(2) of the Constitution of India provides that, all other public moneys [barring those mentioned in Article 266(1)] received by or on behalf of the Government of India or the Government of a State shall be entitled to the Public Account of India or the Public Account of the State, as the case may be. Public Account is divided into six broad categories: (i) Small Savings, Provident Fund and Other Accounts (ii) Reserve Funds (iii) Deposits and Advances (iv) Suspense and Miscellaneous (v) Remittances and (vi) Cash Balance. Expenditure from Public Account does not require the approval of the Legislature. The net receipt in the Public Account is taken into account for balancing the Budget.

Accounting System

The Accounting System of the Government is on cash basis. Therefore, only actual receipts and payments during the year are taken into account with no outstanding liabilities or accrued income. All cash appropriations lapse at the close of the financial year. On the same pattern, budget is also prepared on cash basis. Whatever is expected to be actually received or paid under proper sanction during a financial year (including arrears of the past years) are budgeted in that year. All appropriations expire at the close of the financial year, and no portion unexpended during the year may be reserved or appropriated by transfer to deposits or any other head, or drawn and kept in the cash chest to obviate the lapsing of the Grant and to be expended after the end of the year for which the Grant was made. This is known as the 'rule of lapse'.

To mitigate the undesirable consequences of the rule of lapse several funds have been built up over the years. Unspent balances in these funds do not lapse at the end of the year, but are available for expenditure in succeeding years.

The Consolidated Fund and the Public Accounts are divided into sectors, subsectors and then into the six tiers of accounting classification. The number of classification in the Detailed Demands for Grants is not allowed to go beyond the standard six tiers. This 6-tier system as recommended by CAG is as follows:

Major Head:	4 digits (Function)
Sub-Major Head:	2 digits (Sub-function)
Minor Head:	3 digits (Programme)
Sub-Head:	2 digits (Scheme)
Detailed Head:	2 digits (Sub-scheme)
Object Head:	2 digits (Primary unit of appropriation)

However, within the prescribed six-tier accounting system, the State has adopted a four digit coding pattern for the Sub-heads, five digit coding for Detailed-heads and three digit coding for the Object-heads of account. This six tier accounting classification is grouped under economic and functional classification i.e. (i) General Services (ii) Social Services and (iii) Economic Services.

Formulation of Budget

Preparation of State Budget is guided by the provisions of 'Orissa Budget Manual' amended from time to time. The first edition of 'Orissa Budget Manual' was brought out by the State Government on 18th July 1940. This manual was planned on the model of the Bihar and Orissa Budget Manual. The second edition of the manual has been enlarged and altered by incorporating the changes in budget procedure necessitated by the Government of India Act, 1935. It contains the rules framed by the State Government for the guidance of estimating and controlling officers, and the Departments in the preparation and examination of the budget estimates and in the control over expenditure, to ensure that it is kept within the authorized Grants. The second edition of the 'Orissa Budget Manual' was published in 1958.

PREFACE TO THE ORISSA BUDGET MANUAL.

THE Orissa Budget Manual contains the rules framed by the Finance Department for the guidance of estimating and controlling officers, and of Departments of the Secretariat, in the preparation and examination of the budget estimates and in the control over expenditure, to ensure that it is kept within the authorized grants.

This manual, although planned on the model of the Bihar and Orissa Budget Manual, second edition, has been much enlarged and altered by incorporating the changes in budget procedure necessitated by the Government of India Act, 1935.

Detailed rules have been laid down regarding the procedure to be followed in preparing "new schemes" for inclusion in the budget.

An appendix (V) has been inserted containing the delegations made to Heads of Departments and subordinate authorities of the powers to sanction reappropriation of funds.

Any errors or suggested alterations should be brought to the notice of the Finance Department.

CUTTACK :
The 18th July, 1940.

P. T. MANSFIELD,
Chief Secretary.

The first edition of 'Orissa Budget Manual' was brought out by the State Government on 18th July 1940.

The third edition of the 'Orissa Budget Manual' was published on 8th November 1963. This edition incorporates all important changes brought about in the financial administration of the country, particularly in the procedure of framing Budget Estimates after the Constitution of India came into force from 26th January 1950. The third edition of the 'Orissa Budget Manual' published in 1963 is in force till date. The broad principles and procedures envisaged in the document are to be followed for preparation and execution of budget.

Budget is prepared on cash basis, i.e. based on the estimate of what will be received during the year and disbursement to be made during the year irrespective of the revenue demands raised and expenditure (liability) accrued. However, the estimating officers ought to take into account the arrears of revenues as well as committed liabilities at the time of preparing budget estimates.

All appropriations granted by the legislature lapse at the end of financial year and no unspent budget can be appropriated for meeting the Demands in the next financial year. Thus, all unutilized funds within the year lapse at the end of the financial year. Therefore, estimating officers are to pay utmost importance to the fact that, based on the prudent financial management practices, only the amount actually required in the next financial year should be estimated in the budget. All the spending departments are expected to prepare their monthly plan for incurring expenditure and adhere to those plans. All departments are expected to avoid the tendency of underestimating the revenue and overestimating the expenditure.

Budget is prepared on gross basis. This means that in a budget, receipts and expenditure are shown separately. Expenditure on a function is not shown after adjusting the receipts accruing there from. Expenditure is accounted for separately and the receipts are also reflected separately on gross basis. In this manner it is possible to ascertain the direct financial return from the investments in various programmes. This does not, however, apply to recoveries under a Major Head which are taken as deduct receipt. In such cases, net expenditure under a capital

Major Head is accounted for obtaining the vote of the Legislature.

The forms in the budget estimates correspond to that of Government accounts as it is from these accounts that the performance of the Government is judged and the estimation for subsequent year is made. If these are prepared in different forms, financial control will also become difficult.

Based on these principles the process of the Budget formulation begins.

Budget Formulation involves preparation of estimates which are normally framed in the month of September or October after the Budget Circular is issued. These estimates are prepared by the Drawing and Disbursing Officers (DDOs) and sent to the Controlling Officers/ heads of departments in two stages conveniently styled as first edition and second edition.

The first edition of the Budget is a consolidation of annual estimates of the departments, which are based on estimates of revenue under existing laws, rules and orders; and estimates of the expenditures required for the normal working of the departments on the existing scale and with reference to the existing sanctions. Rule 48 to 84 contain instructions in connection with preparation of the first edition.

The second edition of the Budget contains the new schemes of expenditure including developmental schemes which are not part of the first edition of the Budget. The likely increase in estimates of revenue on account of new schemes also constitutes a part of the second edition of the Budget. The possibility of embarking on new schemes depends on the surplus available in the first edition of the Budget, supplemented by any loan that Government may propose to raise and Grants to be received. Rules 96 to 107 deal with the second edition of the Budget.

The issuance of the Budget Circular, normally in the month of October each year, marks the beginning of the Budget Process. The

purpose of a Budget Circular is to provide guidance to various Departments in framing their Revised Estimates (RE) for the current year and the Budget Estimates (BE) for the ensuing financial year entailing the following information:

- (i) A statement of the macroeconomic and financial situation;
- (ii) Detailed instructions on the preparation of estimates of various types of receipts and expenditure, including the formats and statements in which the estimates are required to be furnished.
- (iii) The processes and steps to be followed with reference to various estimating requirements and the scheduled dates by which the information in the prescribed formats are required to be submitted to Finance Department.
- (iv) The indicative aggregate spending ceiling for each department and directing the department to prepare their estimates in a way that will be consistent with macro objectives;
- (v) Overview of the fiscal situation; and
- (vi) Government priorities.

Additionally, separate instructions are required to be issued with respect to Plan and Non-plan Expenditure.¹²¹ The departments are instructed to review the existing expenditure budget so as to prioritize the activities and schemes, both on the Plan and Non-Plan side, and identify those activities and schemes which can be eliminated or reduced in size or merged with any other scheme. Thus, all ongoing schemes/programmes need to be evaluated to determine their relevance. Schemes that are not to continue beyond the current year need to be excluded from the BE of the ensuing year. Instructions are issued regularly giving due consideration to past performance, the stages of formulation/implementation of the various schemes, the institutional capacity of the implementing agencies to implement the scheme as scheduled, the constraints on spending, and most importantly the quantum of Government assistance lying with the recipients unutilized/ unaccounted for, etc. while making estimates.

¹²¹ Because of the abolition of Plan and Non-Plan distinction in Expenditure in 2017-18, this instruction is no longer necessary.

These are all aimed at minimizing the scope for available surrenders at a later stage.

Budget Circular specifically requires that no provision should normally be made in the Budget without completion of a pre-budget scrutiny of the schemes. However, where such a provision has been made without the necessary scrutiny, such scrutiny should be completed and appropriate approvals obtained therefore before the commencement of the financial year or latest by the time the Budget is passed.

Budget Circular provides for general instruction to departments that all forms are required to be filled up completely, and written justification and explanation are to be provided for all forms that are not completed. This helps the finance department to cross verify, if required, at the time of compilation of budget information any data and document to check its authenticity and relevance. Each form is signed by the relevant authority. Departments are further instructed to ensure that the budget request complies with the priorities outlined by the Government.

The form used for a revenue head is the same as that of expenditure head, except that there is no separate column for 'voted' and 'charged'. The format of the budget contains actuals of the previous year, sanctioned estimate for the current year, revised estimates for the current year, budget estimates of the next year, and actuals of the portion of the current year available at the time of preparation of the estimates and actuals for the corresponding period of the previous year.

All the columns of the budget are filled in by the DDOs. The principal columns are those relating to the revised estimates of the current year and the budget estimates of the next year. Of these, the making of the revised estimates always precedes the making of the budget estimates of the future year since it is an axiom of budget procedure that, prima facie, the revised estimates is the best guide for the framing of the forthcoming year's estimates.

The revised estimates do not authorize any expenditure, nor do they supersede the budget estimate as the basis for the regulation of expenditure. When the anticipated expenditure is greater, the department concerned is required to take necessary steps to obtain a Supplementary Grant. In case the expenditure anticipated in the revised estimates is less, then the department has to surrender the savings before the close of the year to the Finance Department.

After the preparation of the revised estimates of the current year, the preparation of the budget estimates of the next year is undertaken. The task of framing budget estimates is the decision making process for allocating public resources to the government's policy priorities. Formulation of budget is not just striking out averages of previous years' actuals and putting in a figure which would not look exactly like a repetition of the last year's performance. Nevertheless, they are also not to be quite dissimilar. Therefore, budget makers need to use their judgment in estimating the similarities and dissimilarities and make the allowance for each head.

Therefore, to aid the Finance Department in preparing robust estimates of revenue and expenditure and plan for new initiatives, it is the responsibility of each department to be equipped with requisite information pertaining to the budget. For this purpose, at the start of each financial year, Finance Department issues instructions to the revenue generating departments and spending departments to collect the information required for the purpose of budgeting.

The Finance Department does the in-house exercise before the beginning of the budget cycle and even before the issuance of the Budget Circular to estimate the resource envelope of the budget. The Finance Department prepares preliminary estimates of receipts and expenditure so as to provide guidance to departments on the quantum of resources likely to be available in the ensuing financial year. Such preliminary estimates assist the departments in preparing expenditure estimates that are in line with the expected overall fiscal position of the State. The preliminary estimates of receipts

and expenditure are prepared primarily on the basis of past trends observed. However, any known policy changes likely to have a significant impact on receipts and/or expenditure of the State are also incorporated in such estimates. These exercises help in preparing both Part I and Part II of the estimates.

The estimates as received from the DDOs are consolidated at the level of the Controlling Officers/ Heads of Department and then submitted to the Administrative Department for consolidation for the entire department. In addition to consolidation, the head of the department reviews and revises, wherever necessary, the figures of the local officers in the light of wider experience and extensive information.

The Controlling Officers/ Heads of departments are concerned only with the preparation of the revenue and expenditure estimates. In addition, there are estimates under debt, deposit and remittance heads. Finance Department has to assure itself that there is sufficient cash throughout the coming year not only for the expenditure of the various services and departments of the public administration, but also for the other transactions. Special importance is attached to the estimates of permanent and temporary loans which are framed after a careful review of the cash position under all the heads for the coming year. The estimates under these heads are generally prepared by the Accountant-General, and are submitted to the Finance Department which passes the final orders thereon. The Accountant-General is also required to scrutinize the departmental estimates to verify whether the figures in the expenditure estimates are correct on the basis of existing sanctions and the justification of Revised Estimates.

As per the rules framed by the Governor under Article 166(2) and (3) of the Constitution, the Finance Department is responsible for preparing the Statement of estimated revenue and expenditure for the State to be laid before the Legislature.

For the preparation of the Statement of revenue and expenditure of the State, the Finance Department is required to scrutinize, compile and finalize the estimates of receipts and disbursements received from Heads of Departments and other estimating officers. In course of examination of estimates, the Finance Department may require further explanations or clarifications with respect to certain items of expenditure before finalization. Normally, such enquiries are made by the Finance Department to the Administrative Department with request to furnish the required information after consulting the concerned Heads of Department.

The actual preparation of the budget estimates thus falls upon the Finance Department, and it is solely the business and responsibility of that department after consideration of the materials supplied to it by other departments, to settle the estimates of receipts and disbursements.

After the consolidation of the budget, the Finance Minister organises a meeting of a council of ministers where the proposals are discussed and approved to be laid in the House. Questions of policy arising from the budget, such as fresh taxation or allocation of surplus or provision of new services, are considered and decided upon by the Government as a whole. After such decisions are taken, the Annual Financial Statement and Demands for Grants are prepared for presentation to the Legislature.

The procedure for the presentation of the budget to the Legislature and its disposal by the Legislature is laid down in Articles 202-204 of the Constitution. Further, Article 208 empowers the State Legislature to frame rules of procedure and conduct of business and, Article 209 for timely completion of financial business. The Parliamentary Affairs Department of the State takes the approval from His Excellency the Governor, on the date of presentation of Annual Financial Statement in the State Legislature.

Presentation of Budget

The presentation of budget to Legislature and its disposal is carried through following five stages:

1. Presentation of budget
2. General discussion on the budget
3. Examination by Departmentally related Standing Committees
4. Discussion on Demands for Grants
5. Appropriation

The Budget Presentation starts with the speech of the Minister-in-charge of Finance Department. The budget speech explains salient features of the estimates included in the budget, gives an account of the past performance of the Government and provides the framework of economic policies of the Government. It also outlines the steps proposed to be taken for raising additional resources and expenditure priorities of the Government in both developmental and non-developmental sectors, and other details as prescribed under the Fiscal Responsibility and Budget Management Act and rules. A copy of the printed speech is supplied to every member of the Legislature together with several statements explaining the figures. The full set of budget documents including the Budget Speech, Annual Financial Statement, Budget at a Glance, Explanatory Memorandum, Revenue Receipts, and Demand for Grants, Detailed Demands and Statements as per FRBM Act is also laid before the House.

The budget is presented to the House in such forum as the Finance Minister likes.

Budget contains three factors.

- 1) Review of the public finance of the previous year including the actual receipts & expenditure of that year.

- 2) Estimates of the receipts and expenditure of the following year.
- 3) Proposals for meeting the requirements of the following year.

Under the Constitution, Budget has to distinguish expenditure on revenue account from other expenditure. Significant expenditure incurred with the objective of acquiring tangible assets of a permanent nature for use in the organization and not for sale in the ordinary course of business or enhancing the utility of existing objects; are broadly defined as Capital expenditure. Subsequent changes on maintenance, repair, upkeep and working expenses, which are required to maintain the assets in running order as also all other expenses incurred for the day-to-day running of the organization including establishment and administrative expenses, are classified as Revenue expenditure. Expenditure of capital nature is to be distinguished from revenue expenditure both in budget estimates and Government Accounts. Government Budget, therefore, comprises (i) Revenue budget and (ii) Capital budget.

Budget documents also exhibit broad breakup of expenditure, Plan & Non-Plan sectoral allocation of Plan outlays and details of resources transferred by the Government to various Department, organizations, etc.

In order to enable the honorable members of the Legislature to appreciate the current economic background of the State, an Economic Survey of the State is tabled in the Legislature one or two days prior to the budget presentation.

No discussion on the budget takes place on the day it is presented to the Assembly. After the budget has been presented, the Speaker appoints a day for commencement of general discussion on budget with a gap of two to three days. The general discussion on budget continues for such time as the Speaker may allot. Conventionally, the general discussion on budget continues for two days. During the general discussion on budget, the House is at liberty to discuss the budget as a whole or any question of principle involved therein, but no motion can be moved nor can the budget be submitted to the vote

of the House at this stage. The Finance Minister gives his reply to the general discussion at the end of the discussion.

After the general discussion on the budget in the House is over, the House is adjourned for a fixed period to enable the Standing Committees to consider the demands for grants. Normally for scrutiny by the Standing Committee the House is adjourned for at least 15 days. The system of scrutiny of Demands for grants by Departmentally Related Standing Committees (DRSC) is similar to the process of budget scrutiny in parliamentary pattern, adopted in Odisha Legislative Assembly (OLA) in the year 2005. Before that there were subject Committees for the purpose. In OLA there are 10 Standing Committees to scrutinize the budget of all Departments excluding the Demands of grants of Finance Department, and OLA. Each Committee has a Chairman and 12 members elected indirectly on the basis of proportional representation by means of single transferable voting system.

The 10 DRSCs make scrutiny of the budgetary proposals of the respective Departments assigned to them. The Standing Committees after scrutiny, prepare reports to be submitted to the House for detailed discussion on individual demands for grants and the Chairman of the Standing Committees (10 Standing Committees) present the report in the House on the first day of the House when it resumes after the adjournment for the purpose.

The following procedure is followed by each of the Standing Committees in their consideration of the Demands for Grants and making a report thereon to this House.

- (a) The Committees shall consider the demands for grants of concerned Departments during the aforesaid period.
- (b) The Committees shall make their report within the period and shall not ask for more time.
- (c) The Demands for Grants shall be considered by the House in the light of reports of the Committees and

- (d) There shall be a separate report on the demands for grants of each Department.

The Committees shall not consider the matters of day-to-day administration of the Departments. The reports of the Standing Committees shall have persuasive value and shall be treated as considered advice given by the Committees.

The Business Advisory Committee of OLA fixes the days of discussion on Demands for grants which is not less than 14 days as per the rules of procedure and conduct of Business of OLA 124(2). During the demand discussion one Department or more Departments can be taken up in a day. Individual Demands are passed by the House. At the stage of discussion on the Demand for grants the debate is essentially confined to a matter which is under the administrative control of the Department to which it relates. A separate demand is ordinarily made in respect of the grant proposed for each Department. No demand can be made except on the recommendation of the Governor. The recommendation is communicated to the Secretary OLA and is printed on the books of demands for grants.

The Demands for grants are not formally moved in the House by the Minister concerned. These are deemed to have been moved and are proposed from the Chair. The Minister, initiates discussion on the demands for grants relating to his Department.

Each Demand contains: First a statement of the total amount required; the details by sub-heads and lastly a detailed estimate under which each sub-head is divided into items. Each demand thus, first gives the total of 'Voted' and 'Charged' expenditure as also the 'Revenue' and 'Capital' expenditure included in the demand separately and the grant total of the amount of expenditure for which demand is presented. The break-up between 'Plan' and 'Non-Plan' is also given. New items of expenditure are shown in a distinctive manner to assist the members in gauging their financial effect. Voted and Charged items are shown separately and the Charged items are generally printed in italics. The Charged items are subject to vote in the Assembly. These

practices have been continuing since presentation of first budget of the Orissa Province in 1936-37 and in accordance with section 78(3) of Government of India Act, 1935. The House has, however, every right to discuss the same.

The Demands for Grants are generally captured by Major Heads. The total of all the Demands relating to a Major Head and the 'Charged' expenditure provided under that Head may not tally with the total shown in the Annual Financial Statement. This is because of certain accounting adjustments. The Demands when passed provide the authority for incurring the particular gross item of expenditure, and at that time these recoveries are not taken into account.

During the discussion on the Demands for Grants, it is open to the members to disagree to a policy pursued by a particular Department, or to suggest measures of economy in the administration of that Department, or to focus attention of the Department to specific local grievances. While discussing the Demands for Grants, motion can be moved to reduce any Demand for Grants technically called Cut Motions. The object of a cut motion is to draw the attention of the House to the matter specified therein. Cut Motions are normally tabled by the members of the opposition.

Cut Motions can be classified into three categories:—

- (i) Disapproval of Policy Cut;
- (ii) Economy Cut; and
- (iii) Token Cut.

No amendment to a motion seeking to reduce any Demand is permissible. After the disposal of all the motions for reduction relating to Demand for Grants, the Demand is put to vote of the House. If during the course of the year, further expenditure over and above the expenditure authorized for that year becomes necessary, a supplementary statement of expenditure has to be presented to the Legislature showing the estimated amount of that expenditure in exactly the same detail as for the original budget statement.

Supplementary Demands for Grants are presented in the House if amount authorized during current financial year is insufficient, or if there is a need for additional expenditure on existing service, or expenditure on a new service not contemplated in the Annual Financial Statement for that year, or for recouping Contingency Fund Advance.

On the last days allotted for discussion on the Demands for Grants, at the time fixed in advance, the Speaker puts all the outstanding Demands for Grants to the vote of the House. This process is known as 'Guillotine'. It is a device for bringing the debate on financial proposals to an end within a specified time with the result that several Demands (outstanding) have to be voted by the House without discussions.

Soon after, an Appropriation Bill is introduced in the Legislative Assembly under Article 204 of the Constitution of India to provide for the appropriation out of the Consolidated Fund of the State. The provision in Article 204 of Constitution of India relating to Appropriation Bill requires:

“As soon as may be after the grants under Article 203 have been made by the Assembly, there shall be introduced a Bill to provide for the appropriation out of the Consolidated Fund of the State of all moneys required to meet the Grants so made by the assembly; and the expenditure charged on the Consolidated Fund of the State but not exceeding in any case the amount shown in the statement previously laid before the House or Houses.”

Further, it states that *“no amendment shall be proposed to any such Bill in the House or either House of the Legislature of the State which will have the effect of varying the amount or altering the destination of any Grant so made or of varying the amount of any expenditure charged on the Consolidated Fund of the State, and the decision of the person presiding as to whether an amendment is inadmissible under this clause shall be final.”*

Lastly, *“Subject to the provisions of Articles 205 and 206, no money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with the provisions of this article”*.

The Appropriation Bill being a money bill can be introduced in the State Legislative Assembly only on the prior recommendation of the Governor. The Appropriation Bill when introduced and taken up for consideration is put to a debate by the members of the House. Members of all parties participate in the appropriation debate and they are free to raise questions on any government policy and put forth their grievances. The debate on the Appropriation Bill is concluded by the Finance Minister who replies to the points raised by the participants in the debate. Thereafter, the Bill is put to vote of the Legislative Assembly. In case the Bill is not passed for whatsoever reason, such a situation is taken as a vote of no confidence.

Hon’ble Speaker certifies the Appropriation Bill after it is passed in the Legislature to the effect that this is a money bill. Thereafter the bill is submitted to the Governor for his assent. Once this assent is accorded, the Appropriation Bill becomes an Appropriation Act giving legal authority to the Government to incur expenditure from and out of the Consolidated Fund in accordance with the stipulations made in the Act.

Earlier, as per Section 80 of Government of India Act 1935, after the Demands for Grants were voted in the House, the Governor was to authenticate a schedule of Grants. Later, the Budget Authentication was replaced by Appropriation Act.

The next step is Budget execution. The Grant Controlling Authorities distribute the budgetary allocations among Budget Controlling Officers. The Budget Controlling Officers allocate the funds among the spending units. The DDOs draw funds from the budgetary allocation for different line items including Supplementary Grant & Re-appropriation in case of necessity and surrender unspent funds at

the year-end. After introduction of Integrated Financial Management System (iFMS), these activities are now undertaken electronically in iFMS platform.

The DDOs are to incur any expenditure or enter into any liability involving expenditure or transfer of moneys for investment or deposit from the Government account with prior sanction of competent authority. In addition, the expenditure from Consolidated Fund is to remain within approved Grants and appropriations. Receipt & Payment transactions are routed through Treasuries, and cash transactions are done with the help of agency banks. Treasuries, Works & Forest Divisions render accounts of Receipt & Payment to the Accountant General. Monthly Civil Accounts of State Government are compiled by the Accountant General.

Under Article 206 of the Constitution of India, the power has been given to State Legislative Assembly to sanction withdrawal of certain amounts of funds from the Consolidated Fund even before voting on Demands of Grants and passing of the Appropriation Act takes place. Such Grants made in advance by the Legislative Assembly are referred to as Vote on Account.

After the closure of a financial year, if it is found that expenditure under a Grant has been more than the amount of funds that was available in original Grants, additional Grants or through both, the Excess Grants have to be approved from the Legislature. For this purpose, a Statement of Excess Expenditure is presented to the Legislative Assembly by the Finance Minister. Thus the 'Excess Grants' are those which are necessitated to cover the expenditures that have been found to be in excess of the appropriations available during a year that has already passed. It is therefore a post budget exercise.

Finance Department is entrusted with the overall responsibility of watching the Government's balances and State's ways and means operation. To undertake this function, the Finance Department calls for periodic reports for the purpose of monitoring the budget execution.

Other Highlights of the Budgetary Process

After the budget is formulated and passed, there is a need to constantly watch the progress of revenue and expenditure and revise the budget estimates in light of the circumstances known during the course of current financial year. Revised Estimates are thus the estimates of probable receipts or expenditure for a financial year, framed in the course of that year.

During the course of implementation of the budget, it may happen that there are additional requirements under certain heads and similarly there may also be savings under other heads under the same Grant. Subject to certain restrictions and limitations, savings available under certain heads can be re-appropriated to meet the requirements for additional funds under other heads within the same Grant. This is termed as 'Re-appropriation' of expenditure.

Re-appropriations are permissible only when it is known or anticipated that appropriation for the unit from which funds are being re-appropriated will not be utilized in full or that savings can definitely be affected in the appropriation for the said unit. It is both objectionable and irregular to sanction re-appropriation from a unit under which no savings are anticipated at the time of sanction with the expectation of restoring the original allotment under that unit later in the year by transferring savings that may then become available from other units or Supplementary Grants.

In every case of re-appropriation, whether it requires the approval of the Finance Department or not, application of the re-appropriation is made to Finance Department in prescribed format. The format specifically provides for the need to re-appropriate and reasons for anticipated savings from which the re-appropriation is proposed. However, through delegation, the Administrative Departments have been empowered to re-appropriate funds within admissible units up to a certain limit without reference to Finance Department. The approval of re-appropriation by the Finance Department is

continuing since the 1st Budget of the Orissa in accordance with the Section 80 and 81 of the Government of India Act, 1935. The Accountant General is immediately intimated of all re-appropriation of funds from one head to another.

The Departments ought to surrender all the anticipated savings in the Grants or Appropriations controlled by them to the Finance Department by the dates prescribed before the close of the financial year so that unutilized appropriations may be allocated to other needy Departments. The savings are surrendered to Government immediately when they are foreseen without waiting till the end of the year.

Under the provision of Articles 148 to 151 of the Constitution of India, the Comptroller and Auditor General (CAG) is entrusted with account keeping and audit. This is a mechanism for ensuring accountability of the executive to the legislature for raising resources and spending public funds. The independence of audit is secured in accordance with the Government of India (Audit and Accounts) Order, 1936.

The Appropriation Accounts depict the expenditure of the State Government against amounts 'charged' on the Consolidated Fund or 'voted' by the State Legislature. At present, there are three Charged Appropriations and forty-two Voted Grants. Appropriation Accounts do not cover the entire receipts and disbursements of Government but relate only to that part of the public expenditure which comes before the Legislature in the form of Demands for Grants. Besides this class of expenditure there are other disbursements, such as Debt, Deposit and Remittance (DDR) heads. The accounts of revenue and other receipts of Government are also outside the scope of the Appropriation Accounts.

To fill this gap in the public accounts, a separate compilation known as the Finance Accounts is prepared by the Comptroller and Auditor General (C&AG) of India and presented to the Legislature. The Appropriation Accounts and the Finance Accounts, each with the Audit Report thereon, collectively constitute the accounts and report

of the Comptroller and Auditor General (C&AG) under paragraph 11(4) of the Government of India Audit and Accounts Order and Article 150 of the Constitution of India.

The Appropriation Accounts are of value as a part of the scheme of legislative financial control, but the Finance Accounts are more interesting from the point of view of the public taxpayer, the members of the Legislature and others interested in public finance. For this reason, the Finance Accounts are made available to the Legislature before the Budget for the coming year is taken up for consideration. It is expected that this will help the Legislature in following the Budget and properly appreciating the proposals either for fresh taxation or remission of revenue or for flotation of loans.

In accordance with Article 151(2) of the Constitution of India, C&AG prepares the Appropriation & Finance Accounts for the previous year with the Audit Report of the State to be laid in the House of Legislative Assembly.

The Public Accounts Committee is statutorily concerned with the Appropriation Accounts only, but there is nothing to prevent the Legislature from directing that the Finance Accounts be examined by the Public Accounts Committee and be dealt with in the same manner as the Appropriation Accounts. Compliance to Audit observations are scrutinized by the Public Accounts Committee (PAC) of the Legislative Assembly and PAC submits report on their observations to the House. This completes the cycle of budgetary process.

Fiscal Responsibility and Budget Management

Along with the budgetary documents, the FRBM disclosures are also laid before the House.

The State Government has adopted a rule based fiscal policy with medium term fiscal targets through enactment of the Odisha Fiscal

Responsibility and Budget Management (FRBM) Legislation. Amendment to the FRBM Act, 2005 are done periodically on the basis of the recommendations of successive Finance Commissions.

The following five FRBM Disclosure statements relating to FRBM Act are presented in the Legislature along with Annual Budget in forms prescribed in FRBM Rules, 2005 with an objective of bringing in transparency in the budget making.

FORM I: Fiscal Policy Strategy Statement. This outlines macro-economic overview and fiscal scenario of the State.

FORM II: Medium Term Fiscal Plan. It has two parts: Fiscal Indicators- Rolling Targets assumed in the Medium Term Fiscal Plan and assumptions underlying the Fiscal Indicators.

FORM III: Disclosure Statement. It relates to any change in accounting procedure.

FORM IV: Special Statement on number of Employees and Related Salaries.

FORM V: Statement of Deferred Liabilities

Committees of the House

The business of the House in modern times is not only varied in nature, but also considerable in volume. The time at its disposal is limited. It cannot, therefore, give close consideration to all the legislative and other matters that come up before it. A good deal of its business is, therefore, transacted by the House Committees. Besides, the functioning of the Committee creates a transparent system in the entire budgetary process and in the functioning of the House.

The Committee on Public Accounts ascertains whether the money Granted by the House has been spent by the Government “within

the scope of the Demand”. The Appropriation Accounts of the Government of India and the Audit Reports presented by the Comptroller and Auditor General mainly form the basis for the examination by the Committee. The Committee on Public Accounts consists of twelve members who are elected by the Assembly every year from amongst its members according to the principle of proportional representation by means of single transferable vote. A Minister shall not be selected as a member of the Committee, or if a member after selection to the Committee is appointed a Minister, he shall cease to be a member of the Committee from the date of such appointment.

The Committee on Estimates reports what economies, improvements in organization, efficiency, or administrative reform, consistent with the policy underlying the estimates, may be effected and suggest alternative policies in order to bring about efficiency and economy in administration. The Committee also examines matters of special interest which may arise or come to light in the course of its work or which is specifically referred to it by the House or the Speaker. The constitution of the Committee is similar to the Public Accounts Committee.

The Committee on Public Undertakings is entrusted with the function of (a) examining the reports and accounts of State Public Undertakings; (b) examining the reports, if any, of the Comptroller and Auditor General on the Public Undertakings; (c) examining in the context of the autonomy and efficiency of the State Public Undertakings whether the affairs of the Public Undertakings are being managed in accordance with sound business principles and prudent commercial practices; and (d) such other functions vested in the Committee on Public Accounts and the Committee on Estimates in relation to the Public Undertakings that are not covered above and as may be allotted to the Committee by the Speaker from time to time

The Committee on Welfare of Scheduled Castes (SCs) and Scheduled Tribes (STs) considers all matters concerning the welfare of the SCs and STs, falling within the purview of the State, the reports submitted by

the National Commission for SCs and STs and examines the measures taken by the Union Government to secure due representation of the SCs and STs in services and posts under its control.

The Constitution of India envisages Parliamentary/Legislative control of State Expenditures through a mechanism of three tier system;

1. The Legislature will authorize the executive the sums to be spent during a financial year.
2. After audit of the accounts of the State, the CAG of India will submit Appropriation and Finance Accounts together with the Audit Report to be placed before the Legislature.
3. The Public Accounts Committee will scrutinize the Reports of CAG, and make a report on the irregularities to the Legislature, if any.

It is gratifying to record that the evolution of system of parliamentary control of finance introduced in India and the provinces since the British period has led to very useful results. In this connection, the observations of Sir Ernest Burden, Auditor-General of India, in his review of the work of the provincial Public Accounts Committees on the examination of the appropriation accounts of 1932-33 will be read with interest :

“The manner in which the business of the several Committees has been transacted has been exceedingly satisfactory and of great practical value to my Department and I wish to repeat the opinion I expressed last year that in general the Public Accounts Committees exercise an increasingly effectual and salutary influence on the administration of public finance.”

This brings us to the end of the detailed description of the budgetary process being followed in Odisha. A lot of changes have been made in the budgetary process and expenditure management through use of technology. Some interesting shifts that have taken place in the recent times have been captured below.

Recent Changes in the Budgetary Process

Integrated Financial Management System (iFMS) in Odisha provides a common platform for all financial transactions of the State Government across Departments. It has automated key aspects of budget execution and operations across all agencies of Government. Besides, it enables and prompts efficient access to reliable financial data. It helps in strengthening of financial control of the Government through a centralized system.

Integration of core financial management functions with Human Resource Management System (HRMS) and revenue administration is one of the key features of iFMS. It provides information for budget planning, analysis, reporting, and preparation of financial statement, audit trail and tracking compliance to audit observations. The budget module of iFMS is used for submission of the budget proposals by the field functionaries.



The Budget making process in the State has been automated since the year 2012-13. The Online Budget Compilation System was rolled out for preparation of annual and supplementary budget from 2012-13 onwards in all Departments of the State Government. The module is operated in Secretariat LAN. The iFMS platform is used to establish the required linkage between the Budget Estimating Officers with Controlling Officers and Administrative Departments for online movement of budget proposals. The DDOs can initiate the budget proposal using the budget module of iFMS and submit the proposal online to the Controlling Officer. The proposals of DDOs are consolidated at the level of the Controlling Officer, who submits the same online to the corresponding Administrative Department using iFMS platform. The consolidated proposal of the Administrative Departments gets transferred to the Online Budget Compilation System (BETA) operated in Secretariat LAN through web-service. The Administrative Departments then submit the consolidated proposal of their department to the Finance Department online in BETA. Finance Department consolidates the budget proposals of all Departments, scrutinizes and finalizes the budget. The budget reports are generated for printing using the BETA module.

The Budget is presented in two parts. The first part is the Agriculture Budget which was introduced in FY 2013-14 and the second part is the General Budget. Odisha is among few States that present a separate Agriculture Budget. As a step forward, the State has formed a separate 'Agriculture Cabinet' as a Committee of the Cabinet. Agriculture Department has been renamed Department of Agriculture and Farmers' Empowerment. It is a strategic step towards farmer centric development.

To bring in transparency in the budgetary process, a Participatory Budget Initiative (PBI) has been initiated. The PBI is a budget consultation process wherein, the citizens of the State get an opportunity to express their views on the priorities of the State Budget. The participation of the citizens in the process of formulation of State Budget is one of the most important tenets of good governance. The budget suggestions made through Participatory Budget Initiative

enable the public to participate in decision making process, thereby, making the budget preparation system open and broad-based.

The PBI was introduced by the Government for preparation of the Budget Estimates, 2012-13. Public opinion is sought from the people of the State through the web portal on the Finance Department's website, Short Messaging Services, WhatsApp & Electronic Mails. Through the Participatory Budget Initiative, the people of Odisha put forth their views and suggestions for spending public money as well as raising resources to finance the Budgetary Outlays. Further, the views are obtained directly from civil society representatives and associations of farmers, trade & industries, and journalists, academicians, bankers, and experts in the Pre-Budget Consultation meeting.

Valuable inputs and suggestions from the people of our State have been taken into account in preparing the Annual Financial Statement. The PBI reflects societal aspirations and facilitates the Government to prepare 'People's Budget'.

Besides, in order to bring greater accuracy in the State Budget, it has been decided to present the State Budget for 2016-17 and onwards, after the Union Budget. The decision was taken in the all party meeting held on 31st January 2016 in Odisha Legislative Assembly.

The budget documents which are laid in the House besides Agriculture and General Budget speech are a) Annual Financial Statement, b) Budget at a Glance, c) Explanatory Memorandum, d) Revenue Receipt, e) Demand for Grants, f) Agriculture Budget, g) Statement as per FRBM Act, h) People's Guide, and i) Detailed Demands.

As a part of the Fiscal and Budgetary Reforms programme, Government of India has done away with the long standing practice of classifying expenditure under 'Plan and Non-Plan' for preparation of the Annual Budget 2017-18, while retaining the distinction between revenue and capital expenditures. The reform has been undertaken on the basis of policy decisions to do away with the term 'Plan' while

distinguishing expenditure on socio-economic welfare programmes and developmental schemes following the abolition of the Planning Commission.

Accordingly, the State Government also decided to prepare the Annual Budget 2017-18 by merging both Plan and Non-Plan expenditure within the existing budgetary framework. With the removal of the Plan and Non-Plan distinction, the focus of budgeting and expenditure classification now shift to 'Revenue and Capital' expenditure, as has been envisaged in the Constitution of India.

The State Government Expenditure is now classified into following four broad categories. (1) Administrative Expenditure: i) Establishment, Operations and Maintenance (EOM) Expenditure, ii) Debt Servicing Expenditure; (2) Programme Expenditure: i) State Sector Schemes, ii) Central Sector Scheme, iii) Centrally Sponsored Schemes; (3) Disaster Response Funds: i) State Disaster Response Fund ii) National Disaster Response Fund; and (4) Transfers from State: i) Union Finance Commission Transfers to Local Bodies, ii) State Finance Commission Transfer to Local Bodies, and iii) Other Transfers.

The Outcome Budget is a progress card showing what various Departments have done with the outlays in the previous annual budget. It measures the development outcomes of all government programmes and whether the money has been spent for the purpose it was sanctioned including the outcome of the fund usage. Outcome budget is a performance measurement tool. Presently the State Government prepares the Outcome Budget for twenty seven major departments consequent upon merger of Plan and Non-Plan. The outcome budget will also contain Medium Term Expenditure Framework (MTEF), which will contain a three-year rolling target.

Convergence of extra-budgetary resources and budgetary resources has been made a part of the budgetary exercise to ensure productive output. The Government rigorously pursues convergence across the Departments and across the resource envelopes for effective

utilization of resources under budgetary resources, public accounts and various off-budget resources.

Lastly, the move towards Gender Responsive Budgeting, which analyzes how effectively Government policies, programmes and budgetary allocations respond to the needs and concerns of the women, is a landmark in itself. The Government has introduced Gender Budget Statement in the expanded form as part of budgetary exercise.

The changes mentioned above depict the responsive nature of Financial Administration of the State. The Government is dedicated in its approach towards building a transparent, efficient and effective Budgetary Process. Bearing the progressive nature of the financial administration's history in the State, we now turn to walk through the eighty budgets that have been presented in the State since its formation in 1936.



ଓଡ଼ିଶାକୁ ଏବଂ ୫୦ ଲକ୍ଷ ସାହାୟ୍ୟ

ଆଜି ଆସନ୍ତୁରେ ଅର୍ଥମନ୍ତ୍ରୀ ସାର୍ ଜେମସ୍ ବ୍ରାଉନ ୧୯୩୬-୩୭ ପାଇଁ ଆୟବ୍ୟୟ ବଜେଟ୍ ପ୍ରକାଶ କଲେ । ଏ ବର୍ଷ ୮୭ କୋଟି ୩୫ ଲକ୍ଷ ଟଙ୍କା ଆୟ ବଜେଟ୍ ଖର୍ଚ୍ଚ ହେବ । ୨ କୋଟି ୮୫ ଲକ୍ଷ ଟଙ୍କା ବକିର ବୋଲି ସେ କହିଲେ । ଓଡ଼ିଶାକୁ ଏ ବର୍ଷ ୫୦ ଲକ୍ଷ ଟଙ୍କା ସାହାୟ୍ୟ ମଧ୍ୟ ପ୍ରଦାନ କରାଯିବ ।

ORISSA ACT XIV OF 1947
ORISSA SALES TAX ACT, 1947

Received the assent of the Governor General on the 26th day of May 1947, first published in the Orissa Gazette on the 1st day of May 1947.

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THE ORISSA BUDGET 1936-1937.

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Section - II

Eighty Years of Odisha Budget





The Government of India Act of 1935 paved the way for provincial autonomy in India. On 1st April 1937, provincial autonomy was introduced in eleven British India provinces. The Government of these provinces was passed to the Ministers, who were to be responsible to popularly elected Legislatures. The finances, along with the law and order of the provinces thus came under the provincial legislatures. The responsibility of the finances had been completely transferred to the popularly elected representatives of the people.

Accordingly, in early 1937, the general election to the provincial legislatures was scheduled throughout the country. In Orissa, the Congress Party contested for 37 seats, and won 36 seats. The leader of the Congress Party, Shri Biswanath Das, met the Governor of the province on 24th March 1937. The latter formally invited him to form the ministry, but Shri Das declined to accept the offer unless His Excellency agreed to give him an assurance that he would not use his special powers of interference or set aside the advice of Ministers in regard to constitutional activities. The Governor was not prepared to give such an assurance in view of the constitutional provisions. Shri Biswanath Das rejected the offer on 28th March 1937. Soon after, Captain Maharaja Krushna Chandra Gajapati Narayan Deo of Parlakhemundi formed a ministry in Orissa on 1st April 1937. It was a minority ministry consisting of three members and was sworn in on 1st April 1937 in Cuttack. Maharaja Krushna Chandra Gajapati became the first Prime Minister of Orissa. The interim ministry in Orissa resigned on 13th July 1937. And on the very next day Shri Biswanath Das, discussed the formation of the Congress Ministry in Orissa with the Governor. Subsequently, the first Congress Ministry in Orissa took the oath of office on 19th July 1937. The first historic Session of this Assembly was held in the Ravenshaw College Hall, Cuttack on 28th July 1937. His Excellency Sir John Austen Hubback was the first Governor of the new Orissa Province.

Against this political backdrop, we begin our odyssey of tracing the journey of Odisha's Budgets and their salient features. We look at the myriad events that shaped these budgets. We endeavor to fathom the ramifications of these budgets in building the State of Odisha, as we see it today.

1st Budget: 1936-37

The struggle for the creation of a separate state of Orissa, culminated in a Draft Order of Council being laid before the British Parliament on 21st January 1936 under the title "Government of India (Constitution of Orissa) Order, 1936". Orissa was finally carved into a separate province on 1st April 1936. Sir John Austen Hubback was sworn in as the first Governor of the Province.

The Central Government's Budget Proposals for the year 1936-37 earmarked a subvention of 50 lakh for the newly created province of Orissa. This was owing to the recognized fact that the newly created province would require subventions for some years in the beginning. The Central Budget asserted –

"The definitive subventions fall to be determined by His Majesty in Council after considering the recommendations of Sir Otto Niemeyer's enquiry, but in the meantime the two Provinces (Orissa and Sind) must be put into a position to carry on under the provisional regime, and the present subventions are intended for this purpose".

Section 312 of the Government of India Act 1935 put forth a set of Transitional Provisions to be enforced for the period elapsing between the creation of the new Provinces (Part III, GOI Act 1935) and the establishment of the Federation. Section 313 authorized the Governor-General in Council to exercise the executive authority on behalf of His Majesty, either directly or through officers subordinate to him. Accordingly, the province of Orissa was placed under the

personal Rule of the Governor till the end of March 1937. The Orissa Advisory Council consisting of 20 persons was formed to advise the Governor on the administration of the provinces during the year of transition.

On 8th May 1936, the Advisory Council met in its first session at Municipal Council Hall in Puri. Under paragraph 12 of the Government of India (Constitution of Orissa) Order, 1936, the Chief Secretary Mr. P.T. Mansfield¹²², member of the Orissa Advisory

I have now the pleasure of welcoming you all as members of the Orissa Advisory Council and of assuring you that I shall give my very earnest consideration to the advice which you individually or collectively may tender to me from time to time during this year of transition."

MEMBERS SWORN.

1. Mr. P. T. Mansfield.
2. Sriman B. B. Gopinath Bissoyee Mahasaya.
3. Sriman B. N. Samanta Ray Mahasaya.
4. Lal Artatran Deo.
5. M. R. Ry. A. Thumbaathan Pantulu Garu.
6. Sriman Mandhata Gorachand Patnaik.
7. Maharaja Sri Sri Sri Krishna Chandra Gajapati Narayana Deo of Parlakimodi.
8. Rev. Brajananda Das. *
9. Maulavi Shaikh Abdul Jalil.
10. Babu Haribar Das. *
11. Babu Nikunja Kishore Das.
12. Babu Radharanjan Das.
13. Babu Braja Mohan Panda.
14. Babu Jagannath Das.
15. Babu Godavaris Misra.
16. Babu Birabar Narayan Chandra Dhir Narendra.
17. Rai Bahadur Loknath Misra.
18. Rai Bahadur Lakshmidhar Mahanti.
19. Raja Sir Rajendra Narayan Bhanja Deo Bahador, Kt., O.B.E., of Kanika.

The Orissa Advisory Council consisting of 20 persons was formed to advise the Governor on the administration of the provinces during the year of transition.

¹²² Philip Theodore Mansfield, Indian Civil Service, Secretary to Government

PRESENTATION OF FINANCIAL STATEMENT.

Under paragraph 12 of the Government of India (Constitution of Orissa) Order, 1936, Mr. P. T. Mansfield laid before the Council the statement of the estimated annual receipts and expenditure of Orissa for this financial year, with proposals for appropriation of revenues, for general discussion.

In presenting the statement, Mr. P. T. Mansfield said as follows:—

THE ORISSA BUDGET 1936-1937.

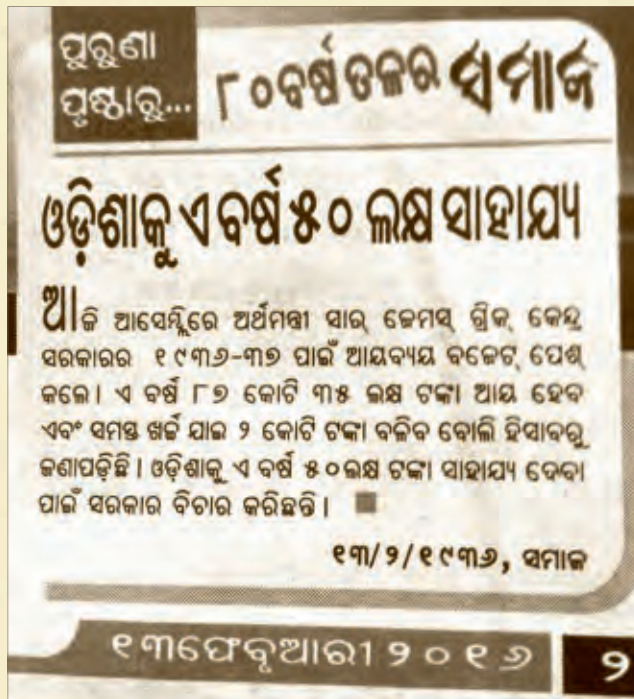
The manner in which the Budget was prepared requires some preliminary explanation. Under the instructions of the Government of India, the budgets for the three component parts (Madras, the Central Provinces and Bihar and Orissa) were framed by the respective Governments of those parts. Naturally since the portions transferred formed only parts of the parent provinces, and in certain cases only parts of districts there was difficulty in calculating the established expenditure of previous years in those parts. (By "established expenditure" is meant such expenditure as would be justified in a normal budget by past actuals of some years.) The budget was however framed as far as possible on the basis of established expenditure, adding to it certain expenditure necessitated by separation, the contributions which

Copy of the statement of the estimated receipts and expenditure for the year 1936-37 was laid before the Orissa Advisory Council by Mr. P. T. Mansfield

Council, laid before the Council the statement of the estimated annual receipts and expenditure of Orissa for the financial year 1936-37 with proposals for appropriation of revenues for general discussion.

In the light of the separation, the budget for the three constituent parts was framed by the respective Governments of Madras, Central Provinces, and Bihar & Orissa. Although it was difficult to assess the expenditure of these parts in the preceding years, the budget was framed to a great extent based on the established expenditure figures. To that were added the expenditure necessitated by separation, contributions to other states towards provisioning of services which Orissa was inadequate in supplying, and finally certain new schemes in which Orissa might have had a share, had it continued as a part of those three provinces.

The subjects of irrigation, police, industry, education, agriculture and public health gained much weight in the budget. The total expenditure of the State that included both revenue and capital expenditure was budgeted at Rs. 1.77 crore in 1936-37.



A provision was made in the Union Budget of 1936-37 to provide Rs. 50 lakh as Central assistance to Orissa. Source: The Samaja



Screen shot of the first Odia film 'Sita Bibaha'

As regards major events, the year marked the release of the first Odia film. 'Sita Bibaha', directed by Mohan Sundar Deb Goswami, was released on 28th April 1936. It was the year of Odia resurgence. 1936 was marked by a formation of a new entity of a nation in its political outlook. Culture could only follow suit. And even six days before the historic 1st April, the first prints for the 12-reeled 'Sita Bibaha' was already produced. 'Lakshmi Talkies' at Puri first released the cinema which would subsequently be screened as a 'touring picture' (one whose reels travel places to be screened from inside tents at places having no cinema halls). Entire charges for the production of the cinema (and the screening charge of Rs 175 per week) were borne by Mohan Sundar. The total expenditure incurred to make the first ever commercial movie in the history of Orissa was Rs 29,781 and 10 anna. The picture was subjected to Bengal Board of Film Certificate and the Police Commissioner of Lal Bazaar awarded it the censor certificate. What sets apart this cinema even when it is compared to this date is the fact that all singers for the movie were from Orissa. 'Sita Bibaha' was the

saga of relentless struggle for manifestation of Odia cultural identity. Besides its commercial success, its history would be food for thought for the connoisseurs of cinema for more reasons than just the fact that it was the first ever made cinema in Odia.¹²³

2nd Budget: 1937-38; 3rd Budget: 1938-39; 4th Budget: 1939-40

The discussions for the second budget were made in the Ravenshaw College Hall, Cuttack. The budget preparation in the initial few years was a demanding task. In the light of restructuring of the Province, the Government had to prepare estimates for the forthcoming year, without any knowledge of the actuals of the previous years. The conditions in the Province were far from normal. Northern Orissa was often subject to the havocs of severe floods while Southern Orissa faced periodic famines. The recurrence of floods and famines entailed enormous expenditure, impeding the growth of the Province. Poverty was widespread. The uplift of the economic conditions of the masses called for massive financial commitment. But the resource crunch left the Government with little or nothing towards provisioning of new schemes.

Realizing that the two deficit budgets of the past could damage the credit of the province, the **third** budget endeavoured to make some financial amends. Restraint was exercised in expenditures. Rigid supervision was administered over incomes from jute duties, stamps and registration and excise.



*Present day picture of
Heritage Hall, Ravenshaw
College, Cuttack*

Acknowledging the emphasis of administrative organization, the Governor in consultation with his Ministry made Rules of Business

¹²³ K. C. Rout, *History of Modern Orissa (1936-2000)*. New Delhi: Anmol Publications, 2004.

and accordingly the Government of Orissa was organized. Under the Rules of Business, nine 'Secretariat Departments' were created for the convenient transaction of business of the Provincial Government of Orissa. The departments were Finance, Home, Revenue, Education, Development, Health & Local Self Government, Law, Commerce & Labour, and Public Works Department. Among these departments, Finance department was given a very dominant role.

In order to solve the problem of unemployment, it was decided to develop Khadi and Cottage Industries. During this period the All-India Village Industries Association and the All India Spinner's Association were entrusted with the task of hand-holding and developing village industries. Cooperative Societies were encouraged. It was felt that the revival of the salt industry could help the people of Orissa find an additional and cheap source of living. Ayurveda, a cheap and popular system of medicine, was encouraged.

Efforts were made to address the problems caused by recurrent floods. With the guidance of Engineer Sri Visweswaraya and Professor



*Engineer Sri Visweswaraya
(1861 - 1962)*



*Professor Mahalanobis
(1893 - 1972)*

Mahalanobis, the Expert Flood Committee was put in place. Meanwhile, Sir James Grigg, Under Secretary of the State, accepted to review Orissa's special claims of developing her partially-excluded areas and finding a solution for the flood problem. Irrigation facilities were strengthened.

Mahatma Gandhi visited Orissa to attend the Gandhi Sevasangh Annual Session at Berboy, Delanga, Puri District on the 25th March 1938. The youngest martyr of the freedom struggle of India, Baji Rout died on 11th October 1938.¹²⁴ He had joined Prajamandal Movement in his early childhood and stood against the oppressive ruler of Dhenkanal.

The fourth budget enunciates the need of a good taxation policy with the following quote:

“In Mahabharatha (Santiparva) Bhishma advises Yudhishthira to follow the well-recognized principle enunciated in the episode of the flower tree and the flower trimmer by describing the care that should be taken to preserve the tree from destruction so that it may become a perennial source of living to the trimmer through the sale of the flower only after they blossom fully.”

The 2nd, 3rd and 4th annual budgets were presented in 1937-38, 1938-39 and 1939-40, respectively. The total expenditure for these years was estimated at Rs. 1.87 crore, Rs. 1.97 crore and Rs. 2.06 crore respectively. Land revenue, Education, Medical, Public Health, Agriculture, Industries, and Civil Works gained prime focus in the budgets of these years.

Orissa Endowment Act - 1939 came into force to provide for better administration and governance of Hindu religious institutions and endowments in the State.

In 1939, Major General Bezel Gate was attacked and killed at Ranpur of the then Puri district.

The effort towards economizing expenditure and resorting to retrenchment, in order to ensure that the budget did not run into a deficit, was genuine and sincere. But the nation-building task was a great responsibility requiring expanding expenditures. With limited resources at disposal, the Government left no stone unturned in attempting to uplift the poor. Unavoidably, the fourth budget closed with a deficit.



Baji Rout, the youngest martyr of the freedom struggle of India

¹²⁴ R. Massey, *Shaheed Bhagat Singh and the Forgotten Indian Martyrs*. New Delhi: Abhinav Publications, 2013, pp. 192.

5th Budget: 1940-41

The ruling Government had resigned from office consequent upon the All-India Congress Committee's direction to the Congress ministry of Orissa to resign. This was in the backdrop of the British Government in India having declared war against Germany, without prior consultation with the provincial ministries. Accordingly, as per the Proclamation under section 93 of the Government of India Act, 1935, the Governor's Rule was enforced.

Therefore, the **fifth** budget was passed during Governor Sir John Austen Hubback's tenure. The total expenditure was budgeted at Rs. 2.04 crore. The notable sources of revenue were land Revenue, Excise, Stamp Duty, Interest Charges, Forest, etc. Although a considerable increase in the collection of revenue from Stamp Duty and Land Revenue had been marked, the budget closed with a deficit. Similarly, major components of expenditure were General Administration (Rs. 29.92 Lakh), Education (Rs. 26.74 Lakh) and Police (Rs. 22.7 Lakh).

In 1940, the Orissa Theatre was founded by eminent dramatist Shri Kali Charan Patnaik in Cuttack. The theatre addressed social causes through the medium of plays.

6th Budget: 1941-42; 7th Budget: 1942-43; 8th Budget: 1943-44; 9th Budget: 1944-45

The Governor's Rule came to be revoked on 23rd November 1941. This necessitated the presentation of a Revised Budget in the middle of the financial year. The unspent balance lapsed at the revocation of the Governor's Rule. Fresh grants had to be voted by the Assembly for the expenditure to be made from 24th November 1941 to the end of the financial year.

It was an accepted fact that the Province was poor because its people were poor. And because the people were poor, they could not pay higher revenue and with small revenue it was difficult to

improve their paying capacity. Thus, a vicious cycle was at work. Acknowledging the fact, the Government took cautious steps in pruning unproductive expenditure. Only necessary improvements were made.

Nevertheless, the War entailed increased expenditure as Police Forces were expanded. The threat of foreign invasion in Burma necessitated precautionary measures. Towards this, the Air Raid Precautions necessitated additional expenditure. The sixth budget provided for additional expenditure on 'Stationery and Printing' towards the Orissa Government Press for opening a 'Forms Department'. Earlier these forms were bought from Bihar. Further, education, health care, irrigation and civil works remained the major focus in the sixth budget.

In 1941, Shri Raghunath Mohanty and Shri Dibakar Parida were hanged in connection with the Bezel Gate murder.¹²⁵ The young leaders were pioneers of Orissa Garhjat Movement.

The seventh budget professed "*Give the people more food for their body and more education for their mind and then leave them alone*". The idea was to spend more on education, agriculture, industry and public health, thereby creating a healthy environment where the citizen rises to the full potential and helps in the nation building exercise.

As regards the revenue receipts, tax collection from forest products increased due to a surge in sale of timber and fuel, supply of timber to the War Board, and from exceptionally good prices obtained from auction of coupes. Revenue from stamp duty registered significant growth. All other sources of revenue were inelastic.

The eighth budget was presented against the backdrop of food scarcity and rising prices. The 'Grow More Food' campaign of the Central Government was reported unsuccessful, mainly for the want

¹²⁵ R. Massey, *Shaheed Bhagat Singh and the Forgotten Indian Martyrs*. New Delhi: Abhinav Publications, 2013, pp. 192.

of funds. Meanwhile Burma had been occupied by the enemy and evacuees flocked to the Province. This and the two cyclones that ravaged the Province added to the financial turmoil. Expenditures and receipts suffered. In the absence of headroom for new taxation, a deficit budget was unavoidable. Education, Agricultural research, Air Raid Protection and Public Health continued to be the focus of the budget.



*Pt. Shri Nilakantha Das
(1884 - 1967)*

The demand for a separate University for the Province which had been under consideration for long was finally met through the passing of the Utkal University Act. The University Committee headed by Pt. Nilakantha Das had framed the University Bill. Subsequently, the Utkal University Bill was passed by the legislature on 30th June 1943 and received the Governor's assent on 2nd August 1943. The Utkal University has been functioning since 27th November 1943.

The **ninth** budget stressed the importance of augmenting revenues through fresh taxation. It proposed the levy of a cess on paddy, an entertainment tax and a small tax on betel leaves. Towards Public Health, it was decided that the Medical Schools would be converted into a Medical College. A Health Publicity Bureau was provided for in the budget. It was to give proper instructions to the people in matters of health. A regular Government dispensary at Borigumma in the district of Koraput and two subsidized Government dispensaries, one at Komma and the other at Sinapalli, in the district of Sambalpur were proposed to be established.

The Rajendra College at Bolangir was founded by Maharaja R.N. Singhdeo in 1944. The college was affiliated to Utkal University.

The 6th to 9th budgets had been presented during 1941-42, 1942-43, 1943-44 and 1944-45. The total expenditure for these years stood at Rs. 1.94 crore, Rs. 2.04 crore, Rs. 2.24 crore and Rs. 4.15 crore, respectively. The budgets emphasized on Irrigation, Civil Defence, Agriculture, Public Health and Education.

Cuttack Chamber of Commerce

(Railway Dockyard)

OPINION OF THE CUTTACK CHAMBER OF COMMERCE ON ORISSA SALES TAX BILL 1945.

The Government of Orissa considers it necessary to make an addition to the revenue of the Province and for that purpose proposes to impose the Sales Tax. From the statement of objects and reasons it is clear that the Provincial revenues of Orissa are small and a much larger revenue is needed to finance expenditure on Post-war Reconstruction and the Government expects a substantial revenue on this head. It further appears that the Government of Orissa is going to follow the examples of the Provinces of Bengal, Madras, the Punjab and Bihar in respect of this tax.

The first objection to the imposition of this tax is that the details of purpose for which this new tax is to be thrown as an additional burden on the poor people of Orissa is not yet made clear. We are informed that there are certain schemes of planning and reconstruction but the details thereof are not yet available. Some of the schemes have to be proved that they are practical under the existing circumstances of the Province. From the speech of Mr. Gokhale at the planning and reconstruction Board we understand that the Province of Orissa has got assurance of substantial financial assistance from the Central Govt. The Province was created as a substantial Province and has to be continually spoon-fed by the Centre and India Government is going to finance the construction of National Highways and the multipurpose scheme in connection with the rivers of Orissa. For these purposes Orissa Government need not worry. But as for schemes of other provincial purposes some addition to the revenue is necessary. If the schemes for such improvements are confined for a period say, 5 or 10 years then the normal revenues of the province should be attempted to be expanded and there should not be any necessity to add one more new and unpopular source of revenue. For example the construction of the Capital Buildings requires money for which the Central Government allocated funds just on the creation of the Province in lumpsum of Rs. 40 lakhs. The Orissa Government did not at that time bring the money from the Centre and now it is not possible to manage the work with 40 lakhs. For this the Province should seek further subvention. It is not tax-payers' or consumers' fault that the money set apart for the purpose has not been utilized in time. Why should the Government take of a luxurious programme spending crores of Rs. for this purpose? The so-called Greater Cuttack Scheme is an utopian one which should not be taken up in near future. For all practical purposes it is a futile scheme. For this the poor tax-payers of Orissa should not be taxed. As for industrialising the country any fund required for the purpose should be realised from various other sources. The Govt. in the mean time has unnecessarily expanded the activities of the several departments and now that War is over there should be drastic retrenchments in these departments. If the Government wants to spend money over food-production, let it tax those who are to be profited by this move. Even if these departments are considered to be useful for the general public than other sources of revenue to be tapped but a new tax in the shape of a Sales tax should not be thrown as a burden on the people.

It is said that the Government of Orissa is going to follow the other rich and neighbouring Provinces. The other provinces initiated the measure during the War period when the situation demanded the increase of revenue. Orissa can never aspire after the economic level of the latter provinces. The standard of living and the standard of purchasing power of the latter Provinces stand on a higher level and the people of these Provinces can afford to bear the burden of the Sales Tax, but in the proverbially poor country

of Orissa where flood and famine are the order of the day the people will find it difficult to meet the demands of the Government.

The solution of Orissa's chronic poverty problem lies in the solution of the flood problem and for that India Government should come to our assistance. Orissa Government should not indulge in schemes which cannot normally finance without levying further taxes.

Now, let us examine the merits of the proposed tax. This tax has been introduced in other provinces and is being worked out yielding substantial revenue. The minimum turn over of Rs. 5,000/- over which the tax is to be levied will discourage a large number of dealers to close their shop and the amount of 3 pies per rupee of turn over is considered as too heavy. Even the retailers may pay it up yet the burden will be transferred to the consumer who is ultimately liable to pay it. The masses of Orissa are already groaning under the high prices of all and sundry articles of every day use and their miseries will grow keener if they are to be made sufferers under the new Act. So the poor people of Orissa are to be made poorer far from their economic condition being ameliorated. This will be made clear with particular reference to the commodities proposed to be taxed. Coming to the details of the commodities we see that though the food-grains and standard cloth and certain other articles are excepted from the operation of the Act yet there are numerous articles a tax on which will hard hit the majority of poorer class people.

In this connection one noteworthy point arises in connection with Notes on Clause No. V concerning the Export Trade of Orissa. Orissa has to export commodities mostly to neighbouring Provinces and the contiguous States and also occasionally to other parts of India. If the Orissa Merchants pay Sales Tax on these exports they will necessarily charge higher prices from the purchasers of residents of other Provinces. If the outside purchasers get these commodities at a lesser price from other Provinces they will not purchase Orissa Commodities and they will naturally prefer to purchase at a lower rate from other provinces where the Sales Tax rules are different from that of Orissa. Therefore there is great apprehension that the Orissa Merchants will run the risk of losing their customers in neighbouring provinces and States and their export business will be seriously affected and as a consequence the inland trade within the Province itself will be dislocated or affected to a great extent. So this is a point which the Government should seriously consider in classifying the commodities under the exemption list.

My Chamber is definitely of opinion that the tax would inflate prices to a great extent as the tax is passed from dealer to dealer and from the dealer to consumer who has to bear the entire burden of the tax. The merchant community will not be sufferer and they would pass the tax to the consumer at a time when trade is diminished, cost of living gone up and the resources of the people are heavily strained. As an aftermath of War increase of income is limited to a very limited class of people. People or mass have not been benefitted a bit by the increase of the Provincial revenues during the last 10 years of the existence of this Baby Province.

Education and health of the rural areas has not been better than it was before the creation of the Province. The extra revenues realised by the Government during the past few years have fed certain section of intelligentsia but no Nation Building activities have been pursued by the Government. Public expenditure has swollen in an unbridled manner. Government might say that they are compelled to resort to this measure in order to adjust the finance of the Province to changing circumstances and at the same time they should draw a picture as to how a single pie added to the revenue of the Province is going to benefit the man in the street. We see no picture before us of any develop-

ment scheme for the improvement of living conditions in the rural and urban areas of the people of the Province.

Though it might be said from the Merchants' stand-point that they will not suffer from the burden of this tax and they will simply be agents for the Government to realise the tax indirectly from the consumers yet the tax is calculated to affect their volume of business. In several taxed articles and some of them will have to close their shops or have to exclude the taxed articles from their business. Most of the dealers have combined firms or shops in articles proposed to be taxed and proposed to be exempted from tax. The procedure of accounting, Notice and the complex and cumbersome administration of the proposed department will discourage many dealers who will have to exclude the articles in question from their firm or shop. The dealers will have to incur extra expenditure in maintaining an establishment consisting of Accountants for the purpose. In muffasil centres there are certain shops whose turn over for the different kinds of articles may amount to Rs. 5,000/- and these isolated shops will have to be closed. Some dealers will choose to confine their business to taxed articles and others to non-taxed articles and this will affect the rural consumers who found all the different kinds of articles available in one shop. Even Muffasil markets or weekly hats will be affected by the tax.

Time for submitting objections or suggestions at our disposal is very short and we are not now in a position to enumerate our objections one by one, nor are we in a position to give our suggestions all at once. We cannot even take up the exhaustive list of taxed articles one by one. Different kinds of oil kerosene, articles connected with betel will form the target of attack from the general mass of Orissa. The number of exempted articles are very limited and further opportunities should be given to the public to have their say on the classification of the lists and enumeration of the exempted articles.

On the whole the proposed tax is an unpopular measure conceived at a time when the planning and reconstruction schemes are just being hatched. The tax even if it be considered to be a sound one should wait till the planning schemes have developed to a certain extent. The mercantile community is ever prepared to co-operate with the Government in pushing up its schemes of development and consequently schemes of increase in revenue and they are glad that through them was the medium, Government is proposing to swell the revenue of the Province.

Orissa on the whole, has not yet recovered from the war-time depression as is the case with the rest of India and the utility of planning and reconstruction scheme, has not yet been realised by the masses. Until and unless the schemes have advanced and impressed the popular imagination, it will be too early a step to launch schemes of increment of revenue and the merchant community will be too glad to come to the assistance of the Government and co-operate with them in all the Nation-Building measures they will undertake when the mass mind has been sufficiently developed to appreciate the value of the Government schemes and the mass will feel that the present temporary sacrifice is leading to their ultimate permanent benefit and upheaval of the nation as a whole.

Opinion of the
Cuttack Chamber of
Commerce on Orissa
Sales Tax bill 1945

10th Budget: 1945-46

The tenth budget was presented under the Governor’s rule of Sir William Hawthorne Lewis in 1945-46. It was a deficit budget. The total expenditure for this period was estimated at Rs. 4.11 crore.

Orissa Sales Tax Bill was introduced in 1945 with the intention of augmenting revenue collections.

Twenty-six Oriya candidates were selected to be sent for foreign training in the United Kingdom and the United States of America. The expenses were sponsored by the Government of India.¹²⁶


ORISSA REVIEW
180

ORIYA CANDIDATES FOR FOREIGN TRAINING

The following Indian gentlemen have been selected for foreign training in the United Kingdom or the United States of America according as Government of India succeeds in getting seats for them. The subjects for higher education and training are given against the names of each selected person. Besides the 26 in the list the case of one other is under consideration. It has been provisionally decided that each candidate will get a stipend of Rs. 100 per month during the period of training. Each is paid his passage to the place of his training and back to Orissa. The outward passage money of Rs. 500 and outfit allowance of Rs. 500 has also been sanctioned for each candidate.

All the persons on this list except No. 17 are fully sponsored candidates, i.e., besides the stipend, passage money and outfit allowance, tuition fees and other expenses in connection with their education will be met by Government.

1. Education—	
(1) Mr. Brahmananda Misra .. .. .	.. .. . Advanced Physics
(2) Mr. Brajchhari Patnaik .. .. .	.. .. . Ditto
(3) Mr. Baidyabhar Sonantrai .. .. .	.. .. . Plant Physiology
(4) Mr. Baidyanath Baidya .. .. .	.. .. . Education Science and Practice
(5) Miss Sandilata Sahu .. .. .	.. .. . Ditto
(6) Miss Irene Lena Khan .. .. .	.. .. . Ditto
2. Technical Training—	
(7) Mr. G. Suryaswarayana Row .. .. .	.. .. . Electrical Engineering
(8) Mr. Jagannathan Patnaik .. .. .	.. .. . Ditto
(9) Mr. Brajchhore Patnaik .. .. .	.. .. . Mechanical Engineering
(10) Mr. Sachidananda Das .. .. .	.. .. . Applied Chemistry
(11) Mr. Ananda Chandra Padhi .. .. .	.. .. . Civil Engineering
(12) Mr. Brajchandra Misra .. .. .	.. .. . Industrial Education
(13) Mr. Brajchandra Mohapatra .. .. .	.. .. . Fuel Engineering
(14) Mr. Prasanna Kumar Das .. .. .	.. .. . Industrial Education
(15) Mr. Profulla Chandra Das .. .. .	.. .. . Sugar Technology
(16) S. Kantak Ali .. .. .	.. .. . Civil Engineering
(17) Mr. Hiranya Kumar Mohapatra .. .. .	.. .. . Mechanical Engineering
(18) Mr. Dilip Kumar Sontak .. .. .	.. .. . Pharmaceutical Chemistry
(19) Mr. Srinibas Sontak Das .. .. .	.. .. . Pottery
3. Agriculture and Veterinary—	
(20) Mr. Brajdasan Misra .. .. .	.. .. . General Agriculture
(21) Mr. Balasubrah Misra .. .. .	.. .. . Plant Breeding
(22) Mr. Anantaram Panik .. .. .	.. .. . Entomology
(23) Mr. Bireswar Saha .. .. .	.. .. . General Agriculture
(24) Mr. Suryakumari Bhow .. .. .	.. .. . Horticulture
(25) Mr. Udaychore Patnaik .. .. .	.. .. . Animal Genetics
(26) Mr. Balaiah Narain Patra .. .. .	.. .. . M.R.C.V.S.



Twenty-six Oriya candidates were selected to be sent for foreign training in the United Kingdom or the United States of America

¹²⁶“Oriya Candidate for Foreign Training”. *Orissa Review*, September 1945, p. 180.

**11th Budget: 1946-47; 12th Budget: 1947-48;
13th Budget: 1948-49; 14th Budget: 1949-50**

On the revocation of the Governor’s Rule on 22nd April 1946, the Governor’s Budget ceased to have force. This necessitated the presentation of a revised budget before the Assembly. The revised budget incorporated the Governor’s Budget as the basis and added to it the expenditures on the post-war schemes.

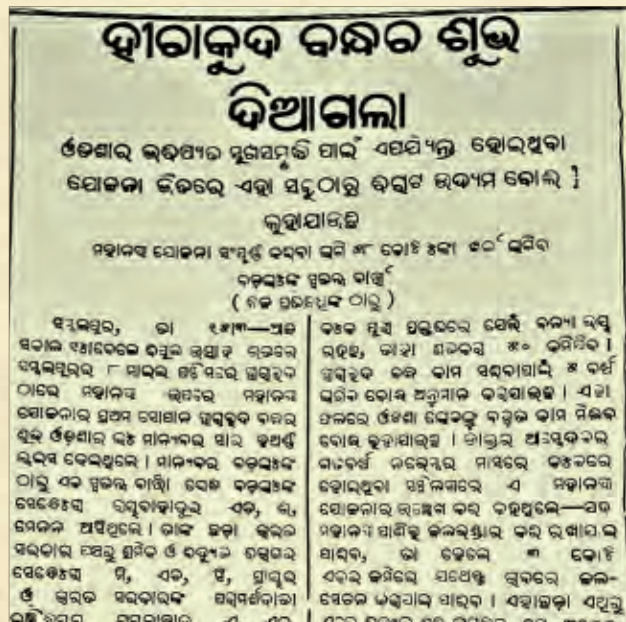
The **eleventh** budget listed various post-war development schemes, like a host of educational, agricultural and other development institution of various kinds, for the restructuring and development of the province. The previous grants and subsidies received from the Centre helped the province to spend more on Education, Agriculture and Public health. However, the spending on Civil Administration and Police declined in the same period.

Sir Lewis laid the foundation stone of the Hirakud Dam in Sambalpur on 15th March 1946. It was an important milestone in the history of Orissa which subsequently helped in improving the economic condition of the State.

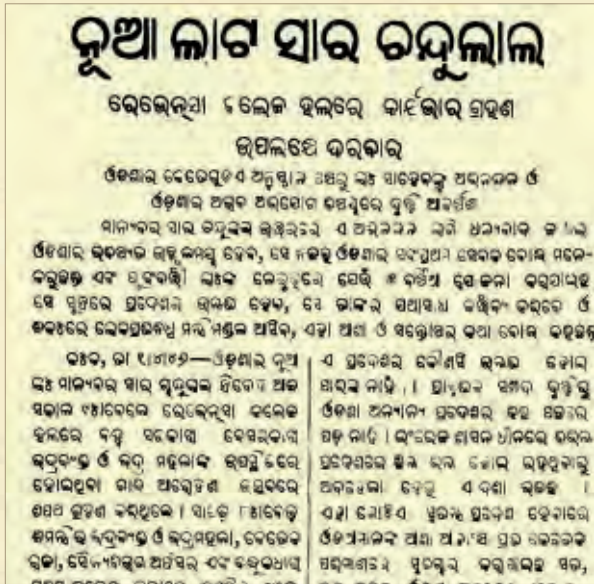
The Central Rice Research Institute was established in Cuttack on 23rd April 1946, with an experimental farm land of 60 acres provided by the Government of Orissa, with the objective to improve the income and quality of life of rice farmers.

On 1st April 1946, Sir Chandulal Madhavlal Trivedi, the first Indian Governor of the Province occupied the Lal Bagh Palace.

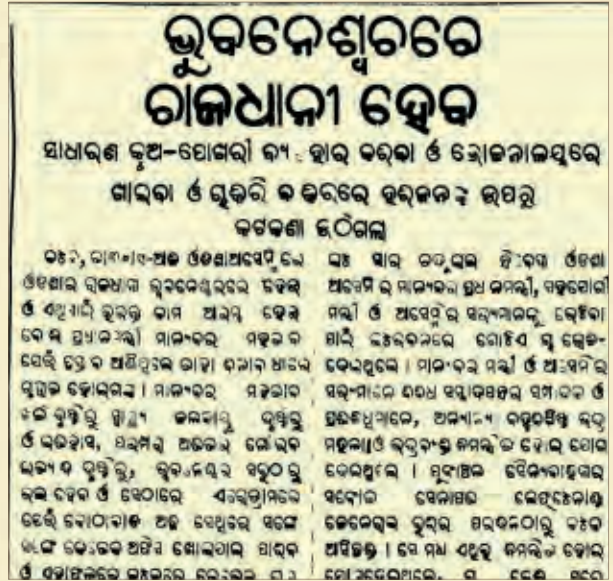
Towards the nation building exercise, establishment of large industries through state control was mulled over, along with the development of village industries. This was aimed at addressing the problem of unemployment in the Province. Fisheries were to be encouraged



Foundation stone of Hirakuda Dam was laid on 15th March, 1946 by Sir Hawthorne Lewis, Governor of Orissa. Source: The Samaja



On 1st April 1946, Sir Chandulal Madhavlal Trivedi became the first Indian Governor of the Orissa Province. Source: The Samaja



On 30th September 1946, the motion to shift the capital from Cuttack to Bhubaneswar was adopted in the House. Source: The Samaja

towards the same aim. Village Welfare was at the core of the budget. The eleventh budget also laid out the plan for harnessing Mahanadi for the purposes of irrigation, navigation and generation of electricity.

The post-war development schemes necessitated enormous expenditure, which was justified in the budget in the following words:

“It is not the budget which should determine the needs of the Province, but it is the needs of the Province which should determine the budget”.

The eleventh budget and the four successive budgets embodied this notion. Therefore, it was decided to spend more for the developmental needs of the province.

Meanwhile, the British announced their intention to quit India by June 1948. The **twelfth** budget reflected that more than half of the entire expenditure budgeted for 1947-48 was on account of post-war development schemes and more than one-third of the budgeted expenditure was on account of new post war schemes to be introduced in the following financial year. The Prohibition Policy

for excise products was introduced on 1st April 1947. Education remained the focus of the development agenda. Due consideration was given to the establishment of Centre for Scientific and Industrial Research. Modernization of agricultural techniques, provision of storage and insurance against famine, improving the cattle wealth of the Province, expediting industrialization were some of the significant measures taken by the budget.

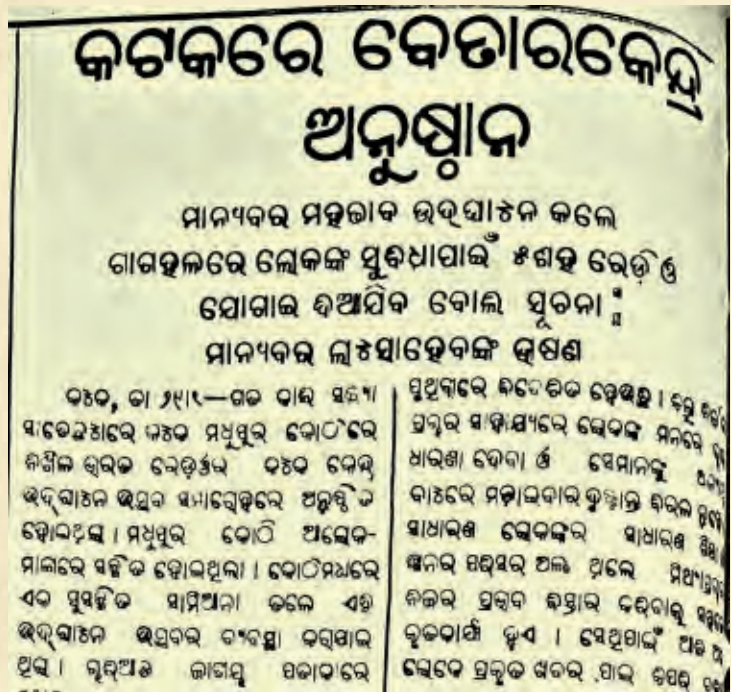
The Orissa Sales Tax Act came into force in 1947. The Sales Tax Act imposed a tax on sales and purchase of goods in Orissa.

Shri Bijayananda Patnaik, at the risk of his life, brought the Indonesian Prime Minister Mr. Sutan Sjahrir to New Delhi by plane at the time of the Indonesian Freedom Struggle to attend the first Inter-Asia Conference organized by Nehru in July 1947.¹²⁷

In December, 1947 twenty-five princely states (barring Mayurbhanj) were merged with Orissa.

All India Radio, Cuttack was founded at Madhupur Kothi in Cuttack on 28th January 1948. Its transmitter was installed at the Barabati Fort.

The process of amalgamation of Odia speaking areas of the neighbouring states with the Province was in full swing. Meanwhile, the **thirteenth** budget saw an increase in Orissa's share of income tax from two to three per cent subsequent to the partition of India. The budget acknowledged that more than half of its revenue was attributable to the central sources and of the other half nearly one-third came from excise. The financial position was unsatisfactory and there was a consensus that measures had to be taken to augment the scanty resources.



All India Radio, Cuttack was founded at Madhupur Kothi in Cuttack on 28th January 1948. Source: The Samaja

¹²⁷ D. K. Rout, "Biju Patnaik: A Short History of his Career and Achievements". *Odisha Review*, December 2016, pp. 104-108.

ORISSA ACT XIV OF 1947
ORISSA SALES TAX ACT, 1947

[Received the assent of the Governor General on the 26th April
1947, first published in the Orissa Gazette on the
14th May 1947]

AN ACT TO IMPOSE A TAX ON THE SALE OF GOODS IN ORISSA

WHEREAS it is necessary to make an addition to the revenues of Orissa, and for that purpose to impose a tax on the sale of goods in Orissa;

It is hereby enacted as follows :—

Short title,
extent and
commence-
ment.

1. (1) This Act may be called the Orissa Sales Tax Act, 1947.

(2) It extends to the whole of the Province of Orissa.*

(3) This section shall come into force at once and the rest of this Act shall come into force on such date as the Provincial Government may, by notification in the Gazette, appoint.

Definitions

2. In this Act, unless there is anything repugnant in the subject or context,—

(a) "Collector" means any Collector of Sales Tax appointed under sub-section (1) of section 3 ;

(b) "contract" means any agreement for carrying out for cash or deferred payment or other valuable consideration the construction, fitting out, improvement or repair of any building, road, bridge or other immovable property ;

(c) "dealer" means any person who carries on the business of selling or supplying goods in Orissa, whether for commission, remuneration or otherwise and includes any firm or a Hindu joint family, and any society, club or association which sells or supplies goods to its members ;

Explanation—The manager or agent of a dealer who resides outside Orissa and who carries on the business of selling or supplying goods in Orissa shall, in respect of such business, be deemed to be a dealer for the purposes of this Act.

(d) "goods" means all kinds of movable property other than actionable claims, stocks, shares or securities, and includes all materials, articles and commodities, whether or not to be used in the construction, fitting out, improvement or repair of immovable property;

(e) "prescribed" means prescribed by rules made under this Act;

(f) "registered dealer" means a dealer registered under this Act;

*NOTE :—Extended to the partially excluded areas with modification by the notification No. 3979-F., dated the 4th June 1947 (Vide Orissa Gazette, dated the 6th June 1947, Part III, page 171).



Orissa High Court, Cuttack

ଓଡ଼ିଶା ହାଇକୋର୍ଟ ଉଦ୍ଘାଟନ ଉତ୍ସବ

ଭାରତର ଚତୁର୍ଥ ସର୍ବୋଚ୍ଚ ନ୍ୟାୟାଳୟ ହେବା ପାଇଁ
ଅନୁଷ୍ଠିତ ହେଲା

ଏକ ଉନ୍ନତ ନିରାପେକ୍ଷ ସ୍ଵାଧୀନ ନ୍ୟାୟାଳୟର ସମ୍ପର୍କରେ ପାଟନା
ହାଇକୋର୍ଟର ପ୍ରଧାନ ବିଚାରପତି, ପଣ୍ଡିତଙ୍କର ଲଫ୍ଟ ଡକ୍ଟର
କାଟକୁ ଓ ଓଡ଼ିଶାର ଲଫ୍ଟ ମାନ୍ୟବର ଅସପ୍ତ ଅଲ୍ଲିକ ଶ୍ରୀମତୀ
ଆକାଶକୋଟ ଜେନେରାଲ ସ୍ଵାମୀ ବିଚିତ୍ରାନନ୍ଦ ଦାସଙ୍କର
ଜଳମାନଙ୍କୁ ସ୍ଵାଗତ ଅଭିନନ୍ଦନ

ଓଡ଼ିଶା ହାଇକୋର୍ଟର ପ୍ରଧାନ ବିଚାରପତି ମାନ୍ୟବର ଜଜିଷ ରାୟଙ୍କ ଉଦ୍ଘାଟନ
(ଚଳି ପୁରୁଣା ହେଉଛି)

<p>ଦିବସ, କା ୨୨୩୩୩—ଅଳ୍ପ ସମୟରେ ଓଡ଼ିଶା ହାଇକୋର୍ଟର ଉଦ୍ଘାଟନ ଉତ୍ସବ ହୋଇଥିଲା । ଏହା ମଧ୍ୟରେ ଏକ ସୁସଜ୍ଜିତ ସଭା ମଣ୍ଡଳରେ ଓଡ଼ିଶା ପ୍ରଦେଶ ଓ ଓଡ଼ିଶା ରାଜ୍ୟର ବିଭିନ୍ନ ସ୍ଵାଗତ ଅଭିନନ୍ଦନ</p>	<p>ପଣ୍ଡିତଙ୍କର ଲଫ୍ଟ ଡକ୍ଟର ଏକ ଉନ୍ନତ ନିରାପେକ୍ଷ ଓଡ଼ିଶା ହାଇକୋର୍ଟର ଉନ୍ନତ ଦାମନା ଦେଇ ଉଦ୍ଘାଟନ ହୋଇଥିଲା । ଏହା ମଧ୍ୟରେ ଏକ ସୁସଜ୍ଜିତ ସଭା ମଣ୍ଡଳରେ ଓଡ଼ିଶା ପ୍ରଦେଶ ଓ ଓଡ଼ିଶା ରାଜ୍ୟର ବିଭିନ୍ନ ସ୍ଵାଗତ ଅଭିନନ୍ଦନ</p>
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On 26th July 1948, Orissa High Court was inaugurated by Sir H.J. Kania, the Chief Justice of the Federal Court of India. A sum of Rs. 3.90 lakh was budgeted for the Orissa High Court.

On 26th July 1948, Orissa High Court was inaugurated by Sir H.J. Kania, the Chief Justice of the Federal Court of India. Source: The Samaja

The State of Mayurbhanj was integrated with the Province on 1st January 1949. This entailed tremendous additional responsibility as well as cost in terms of money to build up the administration and proceed steadily on the way of development.

ମୟୂରଭଞ୍ଜ ସ୍ଵତନ୍ତ୍ର ଜିଲ୍ଲା ହେଲା

ଓଡ଼ିଶା ସରକାରଙ୍କ ଗେଜେଟ୍ ଘୋଷଣା

<p>ଦିବସ, କା ୨୨୩୩୩—ଅଳ୍ପ ସମୟରେ ଓଡ଼ିଶା ହାଇକୋର୍ଟର ଉଦ୍ଘାଟନ ଉତ୍ସବ ହୋଇଥିଲା । ଏହା ମଧ୍ୟରେ ଏକ ସୁସଜ୍ଜିତ ସଭା ମଣ୍ଡଳରେ ଓଡ଼ିଶା ପ୍ରଦେଶ ଓ ଓଡ଼ିଶା ରାଜ୍ୟର ବିଭିନ୍ନ ସ୍ଵାଗତ ଅଭିନନ୍ଦନ</p>	<p>ମୟୂରଭଞ୍ଜ ସ୍ଵତନ୍ତ୍ର ଜିଲ୍ଲା ମୟୂରଭଞ୍ଜର କିଛି ମହତ୍ତ୍ଵପୂର୍ଣ୍ଣ ଓ ଅତ୍ୟନ୍ତ ଗୁରୁତ୍ଵପୂର୍ଣ୍ଣ ହେବେ । ସ୍ଵାଧୀନ ହେବା ପ୍ରାଣୀର ମହତ୍ତ୍ଵ ଓଡ଼ିଶା ସରକାରଙ୍କ ଉଦ୍ଦେଶ୍ୟ ଶୁଭ ଅଭିମାନ ସେହିଭାବେ ହେବେ । ମୟୂରଭଞ୍ଜ କ୍ଷେତ୍ରର ଦୁର୍ଭିକ୍ଷ-କ୍ଷୀଣ ଲୋକଙ୍କୁ ଅତିଶୀଘ୍ର ଶୁଭ ସୁଖଦେବତା ଦାସ ଆଣ୍ଡା ହେବୁଛି ହେବେ ଓ ତଦ୍ଘାତ ମୟୂରଭଞ୍ଜର କିଛି ମହତ୍ତ୍ଵପୂର୍ଣ୍ଣ ଓଡ଼ିଶା ସରକାରଙ୍କ ଉଦ୍ଦେଶ୍ୟ ଶୁଭ ଅଭିମାନ</p>
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The Capital of Orissa was shifted from Cuttack to Bhubaneswar. Prime Minister Pandit Jawaharlal Nehru had laid the foundation stone of the new capital in Bhubaneswar on 13th April 1948. Subsequently, the first assembly session was held in Bhubaneswar on 9th October 1949 after which it was held for three days from 10th to 12th October 1949 in Cuttack. Mr. Kagal, the Town Planning Expert and Chief Administrative Officer of Jamshedpur, visited Cuttack on the request of the Government to suggest on the redesigning of the town.

Mayurbhanj was declared as a separate district by the Government of Orissa. Source: The Samaja



ଅଜି ଭୁବନେଶ୍ୱର ଠାରେ ରାଜଧାନୀ ଭିତ୍ତିସ୍ଥାପନ ବେଳେ ଭିତ୍ତି ଢଳେ ପଣ୍ଡିତ ଜେହେରୁଙ୍କ
 ବସ୍ତ୍ରଖତରେ ଲଂରାଜୀ, ଓକ୍ଟୋଅ ଓ ସଂସ୍କୃତରେ ନିମ୍ନଲିଖିତ ଫଳକ ସହ ମୁଦ୍ରା ପ୍ରଭୃତି ରଖାଯାଇଥିଲା

ଆଜି ମଙ୍ଗଳବାର ସନ ୧୯୪୮ ମେଷ ମାସ ପ୍ରଥମ ପ୍ରସ୍ତରରେ ଏ
 ଶୁଭ ମିଳନରେ ସମବେତ ପ୍ରତ୍ୟେକଙ୍କର ଶୁଭେଚ୍ଛାର ସମର୍ଥନରେ
 ଏବଂ ଏହି ପ୍ରଥମ ଶୁଭ ଲଗ୍ନରେ ଭୁବନେଶ୍ୱର ନଗରରେ ଉତ୍କଳ
 ରାଜଧାନୀର ମୂଳଭିତ୍ତି ଢଳା ବର୍ତ୍ତମାନ ଯେପରି ସୁଖରୁ ଓ ଯଥାର୍ଥ
 ଭାବରେ ସ୍ଥାପନ କରାଗଲା, ଏହା ଦୋଷଣା କରାଗାରେ ମୁଁ
 ଏକାଧାରରେ ଆନନ୍ଦ, ଗୌରବ ଓ ଗର୍ବ ଅନୁଭବ କରୁଛି ।

It is my pleasure, my privilege
 and my pride to-day the 13th
 April 1948, to declare that the
 foundation stone of this Capital
 Town of Bhubaneswar will now
 have been well and truly laid
 under these favourable auspices
 supported with the good wishes
 of each of you assembled here at
 this morning's gathering

Jai Hind

ଜୟହିନ୍ଦ
 ଜବାହରଲାଲ ନେହେରୁ
 ଭାରତବର୍ଷର ପ୍ରଧାନମନ୍ତ୍ରୀ

Jawaharlal Nehru
 Prime Minister, India.

Prime Minister Pandit Jawaharlal Nehru had laid the foundation stone of the new capital in Bhubaneswar on 13th April 1948. Source: The Samaja

The budget earmarked funds for the establishment of an Engineering and an Agricultural College, development of the Chandbali port, rehabilitation of the villages in connection with the Hirakud Dam, setting up of cooperative societies, water-supply and drainage schemes and building infrastructure.


After deliberating on introducing the Agriculture Income Tax Bill, the Government enforced tax on agricultural income with effect

ଓଡ଼ିଶାରେ ଆସନ୍ତାବର୍ଷ ଚିକିତ୍ସା ବଦଳ

କୃଷିକର, କୃଷିଅଧିକାରୀ, କୋର୍ଟ ଓ ଲକ୍ଷ୍ୟକର ବଢ଼ାଇବାପାଇଁ ପ୍ରସ୍ତାବ

ଟିକା ଅଣୁକୁ ବହୁତ ଦୁଆ ଯୋଗନା ବନ୍ଦ କରି ଦିଆଯିବ
କର୍ତ୍ତାମାନ ଅଧିକ ଅଧିକା ଶୁଳ୍କକରନ
କେନ୍ଦ୍ର ସରକାରଙ୍କଠାରୁ ଅଧିକ ଅର୍ଥ ସାହାଯ୍ୟ ଆଣି
ଓଡ଼ିଶା ଗଭୀର ଅଞ୍ଚଳରେ ଉନ୍ନତ ଶାସନବ୍ୟବସ୍ଥା ପ୍ରବର୍ତ୍ତନ ହେବୁ
ଘର ଅଧିକ ହୋଇଛି
ଶିଳ୍ପ ପ୍ରତିଷ୍ଠା ପାଇଁ ଲକ୍ଷ୍ୟ କରାଯାଇଛି
କେନ୍ଦ୍ର ସରକାର ଆଶାନୁରୂପ ଅର୍ଥ ସାହାଯ୍ୟରେ କେନ୍ଦ୍ର
କଲକାତାକୁ ନିବେଦନ କରାଣୁ ଆ ହେବ
ଓଡ଼ିଶା କେନ୍ଦ୍ର ଆଗତ କରି ମାନ୍ୟତା ମହତାବଳା ଲକ୍ଷଣ

୧୯୪୭, ୨୩-୨୪ ଓଡ଼ିଶା ବ୍ୟୟ
ସରକାର ଲକ୍ଷ୍ୟ ଅଧିକାରୀଙ୍କ
ଅବସ୍ଥାପନ ପାଇଁ କେନ୍ଦ୍ର ସରକାର
ପ୍ରଧାନମନ୍ତ୍ରୀ ମନ୍ତ୍ରଣାଳୟ ମହତାବ ୧୯୪୭
ମସିହା ମାର୍ଚ୍ଚ ମାସରେ ୧୯୪୭-୪୮ ମସିହା
କେନ୍ଦ୍ର ସରକାରଙ୍କୁ ଶାନ୍ତି ଦେଖିବା
ଓଡ଼ିଶା ଗଭୀର ଅଞ୍ଚଳରେ ଉନ୍ନତ
ଶାସନବ୍ୟବସ୍ଥା ପ୍ରବର୍ତ୍ତନ ହେବୁ
ଘର ଅଧିକ ହୋଇଛି
ଶିଳ୍ପ ପ୍ରତିଷ୍ଠା ପାଇଁ ଲକ୍ଷ୍ୟ
କରାଯାଇଛି
କେନ୍ଦ୍ର ସରକାର ଆଶାନୁରୂପ
ଅର୍ଥ ସାହାଯ୍ୟରେ କେନ୍ଦ୍ର
କଲକାତାକୁ ନିବେଦନ କରାଣୁ
ଆ ହେବ
ଓଡ଼ିଶା କେନ୍ଦ୍ର ଆଗତ କରି
ମାନ୍ୟତା ମହତାବଳା ଲକ୍ଷଣ



କେନ୍ଦ୍ର ସରକାର କେନ୍ଦ୍ର ସରକାରଙ୍କୁ ଶାନ୍ତି ଦେଖିବା
ଓଡ଼ିଶା ଗଭୀର ଅଞ୍ଚଳରେ ଉନ୍ନତ
ଶାସନବ୍ୟବସ୍ଥା ପ୍ରବର୍ତ୍ତନ ହେବୁ
ଘର ଅଧିକ ହୋଇଛି
ଶିଳ୍ପ ପ୍ରତିଷ୍ଠା ପାଇଁ ଲକ୍ଷ୍ୟ
କରାଯାଇଛି
କେନ୍ଦ୍ର ସରକାର ଆଶାନୁରୂପ
ଅର୍ଥ ସାହାଯ୍ୟରେ କେନ୍ଦ୍ର
କଲକାତାକୁ ନିବେଦନ କରାଣୁ
ଆ ହେବ
ଓଡ଼ିଶା କେନ୍ଦ୍ର ଆଗତ କରି
ମାନ୍ୟତା ମହତାବଳା ଲକ୍ଷଣ

Introduction of different Tax Bills in the 1946-47 budget.
Source: The Samaja

from 1st April 1948. Other tax bills such as Motor Spirit Taxation Bill, and the Entertainment Tax Bill were also introduced.

The amalgamation of the States and the curtailment of post-war development schemes by the Government of India pushed the Province over the edge of a financial crisis. The **fourteenth** budget had to resort to cutting of expenditure. Nevertheless, the budget

provided for the establishment of various large scale industries – manufacturing synthetic petrol, tractors, alloy and steel, and cement. It strived to provide for various other rural welfare schemes as well as for irrigation, civil works, and agriculture among others.

The Bolangir District was formed on 1st November, 1949. It is flanked in the north-west by the Gandhamardhan hill. The name Bolangir had been derived from Balaramgarh, a fort built in the 16th century by Balaram Deo, the 19th Raja of Bolangir.

The 11th to 14th Budgets were presented in 1946-47, 1947-48, 1948-49 and 1949-50, respectively. The corresponding total expenditure for these years stood at Rs. 6.94 crore, Rs. 9.58 crore, Rs. 11.26 crore and Rs. 18.07 crore, respectively. All the budgets were deficit in nature owing to the herculean task of nation-development which entailed massive expenditure.

(୧) ଜାତିକ ସଂଗଠନ ବିଭାଗମାନଙ୍କରେ ଖର୍ଚ୍ଚର କ୍ରମ ବୃଦ୍ଧି

୧୯୩୭-୩୮ ରୁ ୧୯୪୮-୪୯ ପର୍ଯ୍ୟନ୍ତ ଉପର ଉପରେ ଉପର ଭୋଗଭୂତା ଓ ଉତ୍ତର ଭୋଗଭୂତା ଉପରେ ଉପର କ୍ରମରେ ଦର୍ଶାଏ ।
ପ୍ରତିଭାଗ ସଂଖ୍ୟା ବୃଦ୍ଧିର ଦୋଷ ଉପରକୁ ଦେଖ ।

ବର୍ଷ	ଜାତିକ	ସଂଗଠନ	ଉପକ୍ରମ	ଉପକ୍ରମ	ଉପକ୍ରମ	ଉପକ୍ରମ	ଉପକ୍ରମ	ଉପକ୍ରମ
୧୯୩୭-୩୮	୪,୩୭	୨୨,୦୫	୮୨୭	୨୪୮	୨୨୪	୧,୦୩	୧,୦୩	୨୦୭
୧୯୩୮-୩୯	୭,୪୪	୨୫,୯୨	୮୨୫	୨୮୮	୨୨୪	୧,୦୩	୧,୦୩	୨୦୭
୧୯୩୯-୪୦	୭,୪୩	୨୬,୭୮	୯୩୭	୨୭୦	୨୫୯	୧,୦୩	୧,୦୩	୨୦୭
୧୯୪୦-୪୧	୭,୮୯	୨୭,୨୫	୯୪୯	୨୩୫	୨୫୯	୧,୦୩	୧,୦୩	୨୦୭
୧୯୪୧-୪୨	୯,୨୭	୨୫,୩୫	୯୫୩	୨୫୦	୨୫୯	୧,୦୩	୧,୦୩	୨୦୭
୧୯୪୨-୪୩	୯,୨୭	୨୭,୨୮	୧,୦୩୪	୨୪୮	୩୨୨	୧,୦୩	୧,୦୩	୨୦୭
୧୯୪୩-୪୪	୧୩,୭୫	୨୮,୯୮	୧,୧୨୯	୩୦୩	୩୩୨	୧,୦୩	୧,୦୩	୨୦୭
୧୯୪୪-୪୫	୨୪,୭୯	୩୨,୪୦	୧,୪୫୪	୩୩୨	୧,୧୨୯	୩୩୨	୩୩୨	୨୦୭
୧୯୪୫-୪୬	୩୯,୯୮	୩୭,୨୪	୧,୭୪୦	୪୪୪	୧,୪୫୪	୩୩୨	୩୩୨	୨୦୭
୧୯୪୬-୪୭	୧୧,୭୦	୩୯,୫	୨,୩୪୨	୧,୧୨୯	୧,୧୨୯	୩୩୨	୩୩୨	୨୦୭
୧୯୪୭-୪୮ (ଉପକ୍ରମ)	୧୨,୭୪	୮୭,୩୭	୨,୮୩୩	୧,୫୨୦	୭,୪୫୯	୮୫୪	୭୪୦	୨୦୭
୧୯୪୮-୪୯ (ଉପକ୍ରମ)	୧୩,୭୭	୯୨,୧୦	୩,୦୭୯	୩,୫୨୭	୮୭୨	୧,୦୩	୮୫୨	୨୦୭
୧୯୩୭-୩୮ ରୁ ୧୯୪୮-୪୯ ପର୍ଯ୍ୟନ୍ତ ଉପକ୍ରମ ବୃଦ୍ଧି	୨୨୩	୨୨୦	୧,୧୮୦	୫୫୮	୫୫୮	୫୫୮	୫୫୮	୫୫୮

(୨) ବିଭାଗମାନଙ୍କ ବିଭାଗମାନଙ୍କରେ ଖର୍ଚ୍ଚର କ୍ରମ ବୃଦ୍ଧି

ବର୍ଷ	ସଂଗଠନ	ଉପକ୍ରମ	ଉପକ୍ରମ	ଉପକ୍ରମ
୧୯୩୭-୩୮	୨୮୩୨	୨୦୭	୨୦୭	୨୦୭
୧୯୩୮-୩୯	୨୮୯୭	୨୦୭	୨୦୭	୨୦୭
୧୯୩୯-୪୦	୨୮୩୫	୨୦୭	୨୦୭	୨୦୭
୧୯୪୦-୪୧	୨୮୯୭	୨୦୭	୨୦୭	୨୦୭
୧୯୪୧-୪୨	୩୨୨୮	୨୦୭	୨୦୭	୨୦୭
୧୯୪୨-୪୩	୩୨୨୮	୨୦୭	୨୦୭	୨୦୭
୧୯୪୩-୪୪	୩୨୨୮	୨୦୭	୨୦୭	୨୦୭
୧୯୪୪-୪୫	୩୨୨୮	୨୦୭	୨୦୭	୨୦୭
୧୯୪୫-୪୬	୩୨୨୮	୨୦୭	୨୦୭	୨୦୭
୧୯୪୬-୪୭	୩୨୨୮	୨୦୭	୨୦୭	୨୦୭
୧୯୪୭-୪୮	୩୨୨୮	୨୦୭	୨୦୭	୨୦୭
୧୯୪୮-୪୯	୩୨୨୮	୨୦୭	୨୦୭	୨୦୭
୧୯୩୭-୩୮ ପ୍ରତିଶତ	୧୦୫	୫୩	୨୨	୫୫୮

୧୯୪୮-୪୯ରେ ଉପକ୍ରମ ବୃଦ୍ଧି

Department-wise expenditure from 1937-38 to 1948-49. Source: The Samaja

15th Budget: 1950-51; 16th Budget: 1951-52

The Constitution of India was enacted on the 26th January 1950, making India, a Democratic-Republic. Consequently, the provinces- designated so by the Government of India Act 1935 - were hence forth renamed as States. Although the fear of the financial crisis in the State of Orissa (as under the new Constitution) had been mostly averted, the Government treaded carefully on the path of greater expenditure financing development. However, the task of restructuring and strengthening the State called for prudent utilization of the available resources to bring in all-round development.

Meanwhile the legal merger of the twenty-four princely states in Orissa had been effected on 1st August 1949. Thereafter, the expenditure in respect of these areas had become subject to the vote of Orissa Legislature. The Government had to shoulder an additional burden of improving the status of the newly added areas along with the existing underdeveloped districts of Orissa.

This period witnessed rapid developmental changes, and the **fifteenth** and **sixteenth** budgets embodied the efforts of the Government towards effecting those changes. The funds of the State were now split between the Consolidated Fund, Public Accounts and Contingency Fund. A new service cadre called Orissa Finance Service was constituted in this year to improve the financial management of the State.

The period saw certain significant legislations in agricultural reforms like introduction of a comprehensive Agriculture Bill, Zamindari Abolition Bill, and the Orissa Estate Abolition Act, 1951 with a motive of abolishing a large number of intermediaries and moving the state towards a uniform pattern of Ryotwari System.

Towards strengthening the manufacturing base, deliberations were on for establishing the Orient Paper Mills in Brajrajnagar. A cement factory, a refrigerator factory and few other plants were set up. In order to intensify power generation, the Hirakud Dam construction

and the Machkund Hydro-electric Scheme were underway. A River Valley Development Department was set up under direct supervision of the Chief Minister to monitor the construction of both Hirakud Dam and Machhakund Hydro Electric Station.

The 15th and 16th Budgets were presented in 1950-51 and 1951-52. The total expenditure for the corresponding years stood at Rs. 17.58 crore, and Rs. 25.53 crore, respectively. As regards the expenditure, Education, Police, General Administration, Agriculture, Irrigation, Medical and Public Health continued to be the areas of prime focus.

**17th Budget: 1952-53; 18th Budget: 1953-54;
19th Budget: 1954-55; 20th Budget: 1955-56;
21st Budget: 1956-57**

The **seventeenth** budget took cognizance of the great responsibility of bringing about all round development of the State and its citizens, which had fallen on the Government, post-Independence. In this context, the budget asserted –

“The source of all Government is the people; that the people by their agreement together create the Government; that they have the right not merely to clothe the Government with powers, but also to fix limitations upon its inaction, which it must not exceed”.

And towards accomplishing the colossal responsibility entrusted upon the Legislature in ensuring the developmental journey, the mutual effort and cooperation of all parties involved was of utmost importance. This fact was captured in the quote mentioned in the budget:

**सभा च मा समिति श्वावतां प्रजापते दुहितरौ संविदाने |
येना संगच्छा उपमा स शिक्षा चारु वदानि पितरः संगतेषु ||**

“May the Samiti and the Sabha, the two daughters of Prajapati, concurrently aid me. May he with whom I shall meet, co-operate with me; may I, Oh Ye, Fathers, speak agreeably to those assembled.”

The budget called for the kind cooperation of all members towards economizing expenditure without compromising on the responsibility of ensuring basic needs to the people in areas, both rural and urban. The need for converting India into a Welfare State was paramount. Towards this end, the State introduced the Community Development Projects. These were to work like a coordinating agency towards implementing intensive development. Education system was restructured; equal importance was to be given to the elementary as well as secondary education, with special focus to cater the population residing in the villages.

The budget provisioned the setting up of a Polytechnic Institute at Hiraakud, development of the Engineering School to an Engineering College and granting of additional funds to the Orissa Textile Mills. It also attached high priority to minor irrigation and rural water supply. Additionally, funds continued to be earmarked for the improvement of Medical relief and Public Health, and Relief and Rehabilitation.

The budget dwelt on the long-standing sensitive issue of Excise Policy. The receipts from Excise Duty were of significant quantum. It was a generally agreed notion that the drug and drinking habit could not be encouraged even if it meant loss of large revenues. The budget endeavoured to stop illicit distillation and illicit trading throughout the State and contemplated the enactment of a complete Prohibition Policy in the near future.

The budget, already in deficit, was spared from going deeper into deficit, by reallocation of resources between departments without resorting to any extra expenditure to render more services to the people. This was captured in a quote that warned of resorting to unsustainable deficits.

“ऋणं कृत्वा घृतं पिबेत्”

(“Increasing borrowings is no way to meet expenses beyond means”)

The Government acknowledged that despite having some of the highest tax rates as well as exercising drastic economy in expenditures, they failed to make both ends meet. The budget closed,

asserting the faith in the Finance Commission in helping the State to resolve the issue of unbalanced budgets.

In 1952, Shri Bijayananda Patnaik donated an amount of 1000 Pounds to UNESCO towards instituting the Kalinga Prize. The Kalinga Prize is a prestigious international recognition, presented annually by UNESCO to person or persons who have made outstanding contribution to the interpretation of science and technology to the general public.

The **eighteenth** budget envisaged that the masses of the population should be better served and the poor, ignorant tax payer should be the real master, while resources were to be harnessed and best utilized for the good of the people. This was best expressed by Emerson:

“The absolute balance of Give and Take, the doctrine that everything has its price, and if the price is not paid, not that thing, but something else is obtained, and that it is impossible to get anything without its price, is not less sublime in the columns of a Ledger than in the Budgets of States in the laws of light and darkness, in all the action and reaction of nature.”

Towards this end, the budget earmarked funds for Secondary Education, Collegiate Education, Minor Irrigation, Food-grains Procurement and Rural Development. The budget provided for the constitution of a Board of Khadi and Cottage Industries. Further, as a part of reorganization of financial control, the Accountant General’s Office was shifted from Ranchi to Bhubaneswar, where the construction of the Capital was underway. It is also pertinent to mention that the excise revenue was gradually falling and prohibition was being extended gradually. The passing of Kendu Leaf Control Order declaring that 50 per cent of the net proceeds be given to the villagers was a landmark event.



Blast Furnace at the Rourkela Steel Plant
Source: <https://sail.co.in>

The year marked the completion of the construction of the Hirakud Dam. Built across the Mahanadi River, it is one of the first major multi-purpose river valley projects started after India’s independence.

The Rourkela Steel Plant (RSP) was founded in 1953. It is the first integrated steel plant in the public sector in India.

The nineteenth budget heralded the establishment of a Steel Plant at Rourkela. Although the food situation in the State was satisfactory and the prices had been tamed, the problem of unemployment loomed large. The proposition for setting up of an Aluminum, and a Ferro-Manganese Factory at Hirakud, were few of the schemes that promised to bring about a new era of economic activities. An Industrial Development Corporation was also proposed to be set up. The budget introduced many other financial assistance schemes and training camps. The Chief Minister's Relief Fund was created in 1954 to provide immediate relief to the people in distress of Orissa. To relieve people from the unaffordable customary rates of fee payable for pursuing training in agriculture in Bihar, an Agriculture College was established in Bhubaneswar in 1954. The college had to impart scientific training on Agriculture in the state.

Recognizing the importance of industrialization and stability of the economy, words of Kautilya, the great statesman of ancient India, were cited in the budget speech:

**कोषपूर्वाः सभारम्भाः / कोषमुनोः दण्डः /
तस्मात् पूर्व कोषमवेक्षेत / अल्पकोषो हि राजा पौरजानपदान् एव ग्रसते /**

(The duty of the state is to help individuals and industries as well as the various sections equitably and rationally through the resources at its disposal)

The setting up of a Fire Fighting Service, expansion of Public Health Services and expansion of Education services were some other major developments captured in the budget.

The College of Agriculture, originally known as Utkal Krushi Mahavidyalaya, was established in 1954. The college was to provide responsive - research, training and services for development of agriculture and allied services. It would later go on to be developed into the full-fledged Orissa University of Agriculture and Technology (OUAT).



Utkal Krushi Mahavidyalaya
Source: <http://www.cabbsouat.org>

The **twentieth** and **twenty-first** budgets encompass the Government's commitment towards the uplift of the people of the State despite the scarce resources in its hand. The period had seen adverse drought conditions coupled with unprecedented floods. Nevertheless, measures were taken to ease any untoward situation arising out of these conditions. Cooperative Activities, Rural Credit, Tribal and Rural Welfare, Technical Education, setting up of the Paradip Port, Fisheries, Medical and Public Health were given significant impetus in these two budgets. The Irrigation subsidies were withdrawn due to rise in required expenditure on the Hirakud Project. Finally, towards augmenting the resources of the State, important legislations like the Land Reforms Bill, Betterment Levy Bill and Tenancy Protection Amendment Bill were proposed.

In this period reforms in various Acts were undertaken. Zamindari System was abolished in Orissa in 1952. Orissa Tenants Relief Act of 1955, in addition to the Orissa Estates Abolition Act of 1951, was adopted to provide further relief to the tenants regarding the abolition of rights, title and interest in land of intermediaries. Motor Vehicle Tax Act, 1930 and Madras Motor Vehicle Taxation Act, 1931 were amended to unify the taxation system in Orissa in 1956. The Mines and Minerals (Regulation and Development) Act, 1957, an Act of the Parliament of India, was enacted to regulate the mining sector in India.

The twentieth budget closed with another quote from Kautilya emphasizing on the importance of stability in the economy and to curb poverty:

**ईयः ते राट् । यन्तासि यमनो ध्रुवोअसि धरुणः ।
कृषयै त्वा, क्षोमाय त्वा, रवै त्वा पीषाय व्वा ॥**

(To Thee this State is given; Thou art the Director and Regulator, Thou art steadfast and bearer of this responsibility; To Thee this State is given for agriculture, for well-being, for prosperity, for development)

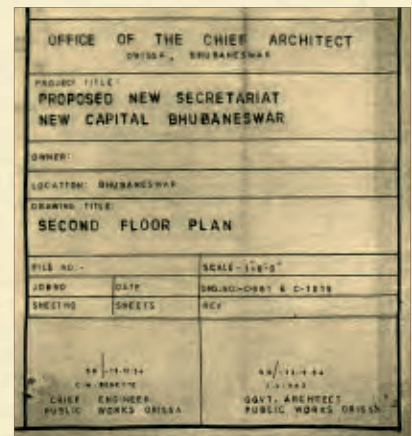
The essence of the five budgets was to achieve the greatest development possible using the scarce resources, pursuing sound policies, plans and schemes. This intent is embodied in a quote from the twentieth budget –

**फलानुमेयाः प्रारम्भाः |
संस्काराः प्राक्तना इवा ||**

These words of Kalidas written from his ‘Raghubansa’ assert that it is only from the results that the soundness of the policies, plans and schemes should be judged. The results of the measures illustrated in the budgets would become clear only in the times to come.

The Bhoodan Movement, initiated by Acharya Vinoba Bhave, to solve the land problem in the country by making land available to the disadvantaged classes of the Indian society got a fillip through his campaign in the State, which started on the 26th January, 1955.¹²⁸

The foundation stone of the Secretariat building in Bhubaneswar was laid in January, 1956. The Orissa Board of Secondary Education (BSE) was established in 1956. The first technical degree institution of Orissa, the University College of Engineering, was established in Burla in 1956.



Orissa Secretariat Building



¹²⁸ S. Parida, "Twenty-Five Years of Bhoodan Movement in Orissa (1951-76) - A Review". *Orissa Review*, May-June 2010, pp. 70-72.

Veer Surendra Sai University
of Technology, Burla



This would later go on to become the Veer Surendra Sai University of Technology. The Orissa State Financial Corporation (OSFC) was established in 1956 under the State Financial Corporations Act, 1951 with the main object of providing loan assistance to the micro, small and medium enterprises.



Orissa Board of Secondary
Education (BSE) was established
in 1956

The 17th to 21st Budgets were presented in 1952-53, 1953-54, 1954-55, 1955-56 and 1956-57. The total expenditure for these years was estimated at Rs. 29.76 crore, Rs. 31.92 crore, Rs. 34.10 crore, Rs. 48.33 crore and Rs. 49.87 crore, respectively. Education, Police, General Administration, Medical, Public Health and Civil Works remained the areas of prime focus.

The States Reorganization Committee (SRC) put forth its recommendations in 1956. Subsequent to the creation of Orissa as a separate state, the struggle to merge the Feudatory States with coastal Orissa assumed significant importance. In 1948, Mayurbhanj had acceded to Orissa. Although, the states of Saraikella and Kharsawan were allotted to Orissa initially, consequent hostility resulted in the States being transferred to Bihar. The SRC maintained that States of Saraikella and Kharsawan would remain with Bihar. Even though it was generally believed that the serving Government would resign over this matter to express disapproval of the decision, the Government remained in office. This caused a serious discontentment across the State. Disruptions erupted.¹²⁹

¹²⁹ S. Patnaik, "The Making of the Province of Orissa". *Orissa Review*, April 2007, pp. 51-55.

**22nd Budget: 1957-58; 23rd Budget: 1958-59;
24th Budget: 1959-60; 25th Budget: 1960-61**

The First Five Year Plan had endeavored to meet the urgent need of increasing the production of food-grains in the country so as to strengthen the economy at the base. The outcome embodied in the principal economic indicators confirmed that a substantial measure of economic development coupled with financial stability had been achieved. Deficits however continued to persist. Subsequently, the Second Five Year Plan emphasized on rapid industrialization, speedy rise in the standard of living, and a more equitable distribution of national wealth to achieve the goal of a socialistic pattern of society. Accordingly, the budgets of this phase symbolized this endeavour.

The **twenty-second** budget stressed on Machkund and other Electricity Schemes, Delta Irrigation Projects, Subsidized Industrial Housing, Handloom Industries and Community Projects among others. It also addressed the issue of shortage of technical personnel in the State, which were a hindrance to the execution of these Plan Schemes.

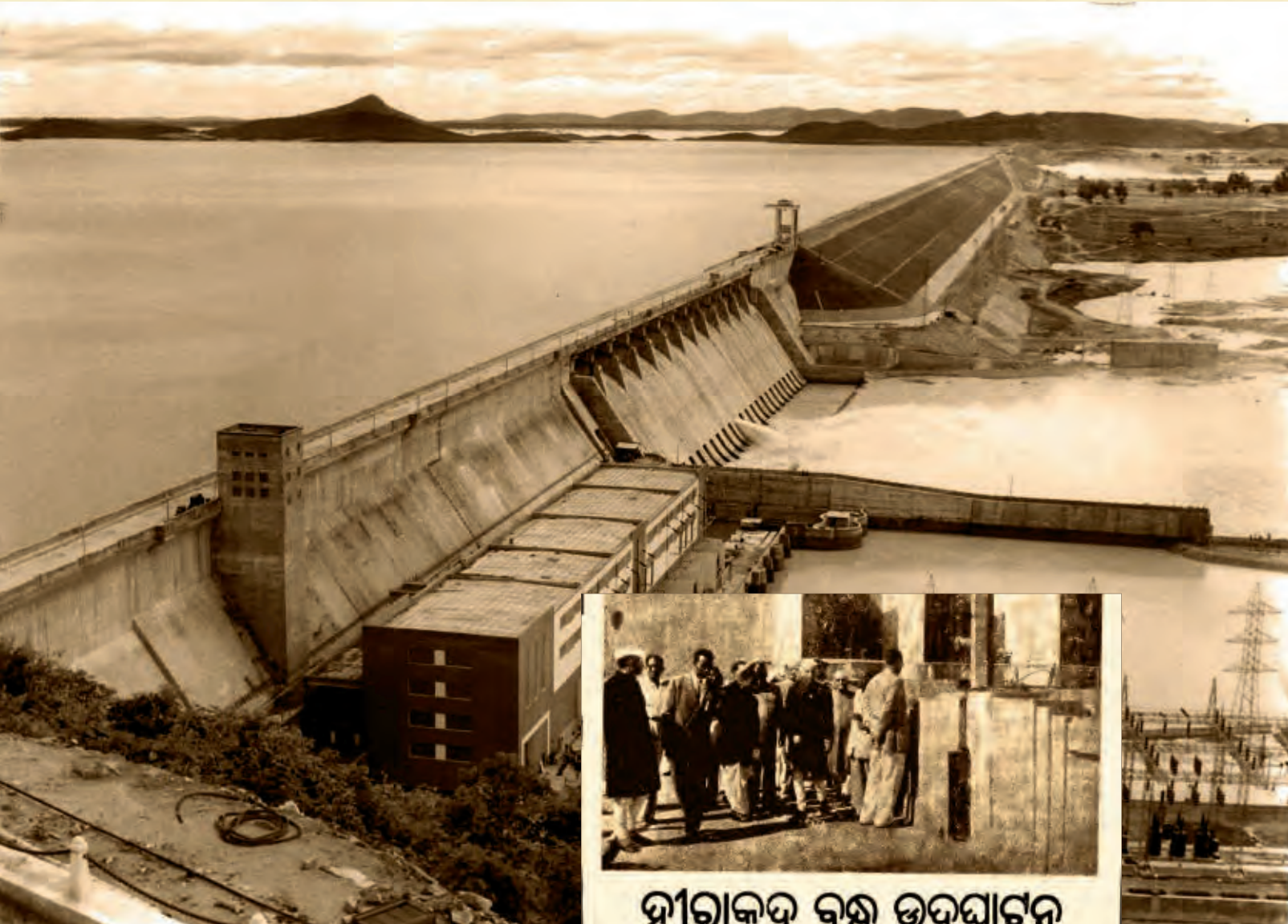
The Hirakud Dam was formally inaugurated on 13th January 1957, by Prime Minister Pandit Nehru in his fifth visit to the State. Besides, President Dr. Rajendra Prasad laid the foundation stone of the new building of Orissa State Museum¹³⁰ and the new campus of Utkal University at Vani Vihar on 29th December 1957 and 1st January 1958, respectively. The Orissa Sahitya Academy was established in this year. The Central Sales Tax Act came into force with effect from 1st May 1957.

Meanwhile, as the revenue deficits of the State continued to mount, the State latched its hopes on the



*President Dr. Rajendra Prasad laid the foundation stone of the new building of Orissa State Museum.
Source: The Samaja*

¹³⁰ P. K. Singh, "Odisha State Museum - A Tourist Destination". *Odisha Review*, January 2012, pp. 32-35.



ହୀରାକୁଦ ବନ୍ଧ ଉଦ୍ଘାଟନ ମହାସମାରୋହରେ ସମ୍ପନ୍ନ ହେଲା

ପ୍ରଧାନମନ୍ତ୍ରୀ ପଣ୍ଡିତ ନେହେରୁଙ୍କୁ ହିରାକୁଦ ବନ୍ଧର ନିର୍ମାଣକାରୀ ଉପର ସମ୍ପୂର୍ଣ୍ଣତା
 ଉଦ୍ଘାଟନ ଉତ୍ସବରେ କେନ୍ଦ୍ର, ପ୍ରୋଜେକ୍ଟମନ୍ତ୍ରୀ
 ଶ୍ରୀ ବୃନ୍ଦାକାନ୍ତୀଲାଲ ନନ୍ଦା ଓ ବେଙ୍ଗାଲର ମନ୍ତ୍ରୀ
 ଭିକଟର କାଟକୁଙ୍କ ଯୋଗାଦାନ
 ଓଡ଼ିଶାର ସ୍ୱାଧୀନତା ଶ୍ରୀମୁଖ ସାଗୁର, ମୁଖ୍ୟମନ୍ତ୍ରୀ ଭବନର ମହତାବ, ପୂର୍ବତନ ମୁଖ୍ୟମନ୍ତ୍ରୀ
 ଶ୍ରୀମୁଖ ଚୌଧୁରୀ, ଉତ୍କଳପ୍ରଦେଶର ପ୍ରଦେଶମନ୍ତ୍ରୀ ସରୋଜିନୀ ଦେବୀ, ନିର୍ମାଣବିଭାଗମନ୍ତ୍ରୀ
 ଶ୍ରୀ ରାଧାନାଥ ରଥ ଓ ଉତ୍କଳମନ୍ତ୍ରୀ ଶ୍ରୀ ସତ୍ୟବ୍ରତ ମହାନ୍ତିଙ୍କ ସମେତ ବହୁ ଅତିଥି
 ସରକାରୀ ଏବଂ ବେସରକାରୀ ବ୍ୟକ୍ତିଗଣ ସ୍ୱାଗତ ଅଭିନନ୍ଦନ
 ଉତ୍ସବସ୍ଥଳରେ କର୍ମିତ ଗମ୍ଭୀର
 "କବାହରଲଲ ମୀନାର" ରୂପେ ନାମିତ ହେଲା
 ଯଦିଓ ଏହି ଉତ୍ସବରେ କାର୍ଯ୍ୟ କରାଯାଇ ଯୋଗୁଁ ୪୨୧ କଣ୍ଟା କର୍ମୀଙ୍କୁ ପୁରସ୍କାର ପ୍ରଦାନ
 ପଣ୍ଡିତ ନେହେରୁ କୈରୁଣ୍ୟପୂର୍ବକ ଭୋଗାମ ଚିତ୍ରବେଶାସିଣି ଭବନ ଅଲୋଚନାମାଳା ପ୍ରଦାନ କରିବେଳେ
 କହିଥିଲେ ଯେ ଉତ୍କଳର ମଧ୍ୟରେ ଉତ୍କଳ ପୁର ଲଳିତର ପ୍ରକାଶ ହେଲା
 (କିନ ପ୍ରତିକାଶ୍ୟାଳୟ)

The Hirakud Dam was formally inaugurated on 13th January 1957, by Prime Minister Pandit Nehru in his fifth visit to the State.
 Source: The Samaja



*Parija Library & New campus
entry point of Utkal University
at Vani Vihar*

THE CENTRAL SALES TAX ACT, 1956

(74 of 1956)

[Received the assent of the President on 21st December, 1956]

An Act to formulate principles for determining when a sale or purchase of goods takes place in the course of inter-State trade or commerce or outside a State or in the course of imports into or export from India, to provide for the levy, collection and distribution of taxes on sales of goods in the course of inter-State trade or commerce and to declare certain goods to be of special importance in inter-State trade or commerce and specify the restrictions and conditions to which State laws imposing taxes on the sale or purchase of such goods of special importance shall be subject.

Finance Commission to take a sympathetic view of the difficulties and make substantial additions to the resources of the State. The Finance Commission submitted its report in November 1957 and the Government of India promptly accepted the major part of the Commission's recommendations. A liberal scheme of devolution was implemented. The **twenty-third** budget attempted to convert the revenue deficit into a small surplus by delaying the prohibition of opium sale by one year, unifying and standardizing local cesses, levying water rates, levying a cess on sugarcane, tax on transport and reorganizing the sales tax structure. Further, receipts under forests were augmented by raising rates of royalty on bamboos supplied to paper mills.

Stepping up production of food grains, distribution of improved seeds, improved irrigation facilities, financial assistance to entrepreneurs willing to start small scale industries, establishment of a Children's Literature Committee, funds for developing the Chandbali Port and the Rourkela Saw Mill Scheme were some of the notable mentions in the budget.

The foundation stone for the new Raj Bhavan in Bhubaneswar was laid on 1st January 1958.

Dandakaranya Development Project was constituted by the Government of India for the settlement of displaced persons from former East Pakistan (now Bangladesh), and for integrated development of the local tribal population.

On the back of satisfactory rainfall and weather conditions, the State had fared well on the agricultural front. The **twenty-fourth** budget claimed that the production of minerals and ores had increased and industries had registered impressive output levels. The granting of licenses for establishment of eight industrial units, various establishments of schools and teacher training institutes, and mass inoculation and vaccination programmes under the health care sector were given impetus in the budget.

The construction of the Secretariat Building in Bhubaneswar was completed in November 1959. The Secretariat Building is one of the most prestigious structures in Orissa and a symbol of stately pride. Julius Vas realised his responsibility while designing a structure for the gleaming future of Orissa and consequently, for independent India.

The Veer Surendra Sai Medical College was set up at Burla. The college was envisioned to facilitate medical studies and research, and to cater to the health needs of the State as well as the Centre.



Veer Surendra Sai Medical College, Burla

Under the **twenty-fifth** budget, a Taxation Enquiry Committee was constituted with Dr. P.S. Lokanathan as Chairman. The Committee was to inquire, assess and advise on the existing taxation structure



New Raj Bhavan, Bhubaneswar

and suggest improvements. The budget continued to focus on the areas of Delta Irrigation, Handlooms, Village Industries, Water Supply and Sanitation and Tribal Welfare keeping in line with the preceding budgets of the time.

The budget also declared the separation of Judiciary from the Executive on experimental basis in the three districts, Cuttack, Puri and Balasore with effect from 1st May 1960. The Orissa Irrigation Act was also enforced during this period. The Orissa Land Reforms Bill was passed on 17th October 1960.

The Raj Bhavan was shifted from Cuttack to Bhubaneswar in 1960. The Orissa State Archives, the Blind School and the Nandankanan Zoological Park were established at Bhubaneswar.

The first volume of Gyanamandal under the editorship of Shri Binode Kanungo was published in 1960.¹³¹ Gyanamandal is famous for being a monumental Odia encyclopedia.

The 22nd to 25th Budget were presented in 1957-58, 1958-59, 1959-60 and 1960-61. The total expenditure for these years was budgeted at Rs. 47.976 crore, Rs. 52.924 crore, Rs. 56.63 crore and Rs. 59.21 crore respectively. During this period, the developmental and plan expenditure were given prominence. The expenditure under the heads of irrigation, in terms of both minor and medium, gained importance. Significant measures were taken to improve the village and cottage industries. In order to execute the plan schemes, the Government raised the loans and advances from Reserve Bank of India.

Despite the unsatisfactory financial position of the State, it was agreed that development programme could not be jeopardized. Since Orissa was under developed compared to other States, the need for increasing capital outlays on development could not be dispensed with. The State made utmost efforts to tap all possible sources of additional revenues, in order to make its maximum contribution towards financing the Plan Expenditure.

26th Budget: 1961-62; 27th Budget: 1962-63; 28th Budget: 1963-64

The development schemes undertaken during the Second Plan Period caused great financial strain on the State Government revenues. Further, abnormal rainfalls caused devastating floods in 1960 and 1961 destroying crops making it impossible to cultivate in large areas. The population census of 1961 claimed that the population in Orissa was growing faster than before. All these circumstances had an adverse impact on the financial position of the State as additional expenditure on these was unavoidable.

The **twenty-sixth, twenty-seventh and twenty-eighth** budgets greatly emphasized on Agriculture Production, Agricultural

¹³¹ "Chronological Accounts of Orissan History". *Orissa Review*, April 2011, pp. 18-29.

Education, Soil Conservation, Mineral Development, Power Generation, establishment of a Rural University, improvement in bed strength in hospitals, and various Flood Relief Operations among other things.

The year 1961-62 marked the beginning of the Third Five Year Plan, which endeavoured to attain higher incomes for all, a reduction in income inequalities, self-sufficiency in food grains and rapid expansion in basic industries along with employment generation.

Accordingly, these budgets embodied this intention by providing for Tribal and Rural Welfare Schemes, development of Chandbali and Gopalpur ports, opening of Labour Welfare Centres, and improvement of facilities of the Government Press, etc. The twenty-seventh budget allocated funds for Heavy Industries Corporation, revival of Spinning Mills and various other factories across the State. In the education sphere, it provided various merit-cum-poverty scholarships along with the emphasis on the education of girls. Health Sector and the strength of trained personnel were given significant boost. Due importance was given to the strengthening of Transport and Communication in the State.

In the preceding years, the Government had more or less shied away from introducing bold measures of additional taxation. However, in the wake of the exorbitant expenditure that the Third Plan would entail, the budgets conceded that the possibility of raising resources through additional taxation could no longer be ignored. Consequently, it was proposed to raise the non-judicial stamps in 1962-63. A Consolidated Cess Bill was proposed. Orissa Irrigation Act which was passed in 1956 came into force on 1st June 1961.

Several industrial projects were initiated during this period for rapid industrialization of Orissa. Paradeep Port and the express highway connecting the port with the mining areas - to facilitate iron ore transportation by road, Balimela Hydel project, Talcher Thermal projects, and MLG Factory in Sunabeda were some of the major ambitious projects of the time. The concept of Panchayat Industries to boost the rural economy was also initiated. Besides, several boards and corporations were set up such as the Orissa

State Electricity Board (1961), the Orissa Industrial Development Corporation (1962), and Orissa Small Scale Industries Corporation (1961-62).

The building of the Legislative Assembly of Orissa (Bidhan Saudha) was inaugurated in 1961. The foundation stone of Paradeep Port was laid on 3rd January 1962. On 4th January 1962, the 49th Indian Science Congress in Cuttack. On 15th January 1962, Sainik School was established in Bhubaneswar.

Meanwhile, President's Rule was imposed in the State between 25th February, 1961 and 26th June 1961.

Rourkela Engineering College was set up in August 1961. It was envisioned to advance and spread knowledge in the area of science and technology leading to the creation of wealth and welfare of humanity.

On 24th August 1962, the Orissa University of Agriculture and Technology was set up in Bhubaneswar. It is the second oldest agricultural university in the country. OUAT was envisioned to be a globally recognized and locally relevant premier farm university in India providing leading-edge education, research, extension and outreach in agriculture and allied services.

The Biju Patnaik Airport was established in the same year. The construction of the Express Highway connecting Daitari with Paradeep started in this year.

*Biju Patnaik Airport
at Bhubaneswar*





Odisha Assembly



On 3rd January 1962, the foundation stone of the Paradeep Port was laid by Pandit Jawahar Lal Nehru in the presence of Shri Biju Patnaik



ପ୍ରଧାନମନ୍ତ୍ରୀ ନେତୃତ୍ୱ ବିଜ୍ଞାନ କଂଗ୍ରେସ୍ ଅଧିବେଶନରେ ଭୃତ୍ତିଶ ଦେଉଳଗିରି

ପଟ୍ଟା <ମୋଗ୍ଗାସ୍

49th Indian Science Congress was inaugurated at Cuttack.
Source: The Samaja

ଓଡ଼ିଶା କୃଷି ଓ ବୈଷୟିକ ବିଶ୍ୱବିଦ୍ୟାଳୟର ଭୁବନେଶ୍ୱରଠାରେ ଉଦ୍‌ଘାଟିତ

ଭାରତରେ ଥିବା ଆମେରିକା ରାଷ୍ଟ୍ରକୁ ଅଧ୍ୟାପକ ଗଲବ୍ରେଥ
ଦ୍ୱିପୁଲ ସମାବେଶରେ ଏହା ଉଦ୍‌ଘାଟନ କଲେ
ପୁସ୍ତକ ପାଇଁ କୃଷି ଓ ଆନୁସଙ୍ଗିକ ବିଜ୍ଞାନକ୍ଷେତ୍ରରେ ତାଲିମ ଓ ଗବେଷଣାର
ପୁରୁଧାଦେବା ଏହାର ଲକ୍ଷ୍ୟ ବୋଲି ଶିକ୍ଷାମନ୍ତ୍ରୀ ଶ୍ରୀ ପ୍ରଧାନଙ୍କ ସ୍ୱାଗତ ଭାଷଣ
(ନିଜ ପ୍ରତିନିଧିଙ୍କଠାରୁ)

ଭୁବନେଶ୍ୱର, ତା ୨୩-୮-୫୮-ଆଜି ଅପରାହ୍ଣ ୩ଟାବେଳେ
ଭୁବନେଶ୍ୱରଠାରେ ପୁସ୍ତକ ଲଘୁତର ପ୍ରଥମ କୃଷି ଓ ବୈଷୟିକ ବିଜ୍ଞାନ-
କଂଗ୍ରେସ୍ ଆମେରିକା ରାଷ୍ଟ୍ରକୁ ଅଧ୍ୟାପକ ଗଲବ୍ରେଥ ଦ୍ୱାରା ଉଦ୍‌ଘାଟିତ
ହେଲା ।

ଭାରତୀୟ ପାଠକ, ତା ଦେଲେ
ଏ ଲକ୍ଷ୍ୟର ଦୃଢ଼ ସମର୍ଥନ
ପ୍ରମାଣ ଦେଇଥିବ ।
ଶ୍ରୀ ପ୍ରଧାନ ଦୃଢ଼କଣ୍ଠରେ
ସୋପାନ କଲେ ଯେ, ବ୍ୟାପକ
କୃଷି ଉନ୍ନୟନ ଦ୍ୱାରା ସମାଧିକ
ଉତ୍ପାଦନ, ଅଧିକ ଖାଦ୍ୟ ଲାଭ,
ଅଧିକ ସଂଚୟ ଓ ଅଧିକ ସହାୟ
ଆମର ଲକ୍ଷ୍ୟ ।
ଶ୍ରୀମୁଖ ପ୍ରଧାନ ଅଧିକ
ଦର୍ଶାଇଲେ ଯେ, ଆଧୁନିକ ପୁସ୍ତକ
କେବଳ ପ୍ରତ୍ୟାଶାପୂର୍ଣ୍ଣ କ୍ଷେତ୍ର
ନୁହେଁ, ଦୃଢ଼ କଠିନ ଉଦ୍‌ଘାଟ
ଦ୍ୱାରା ଉଚ୍ଚତର ଉତ୍ପାଦନ-
ଶୀଳ କରାଯାଇ ମଧ୍ୟ ଏ

ଭାରତୀୟ ପାଠକ, ତା ଦେଲେ
ଏ ଲକ୍ଷ୍ୟର ଦୃଢ଼ ସମର୍ଥନ
ପ୍ରମାଣ ଦେଇଥିବ ।

ଭାରତୀୟ ପାଠକ, ତା ଦେଲେ
ଏ ଲକ୍ଷ୍ୟର ଦୃଢ଼ ସମର୍ଥନ
ପ୍ରମାଣ ଦେଇଥିବ ।

Inauguration of Orissa University of Agriculture and Technology (OUAT) at Bhubaneswar.
Source: The Samaja

The building of the Utkal University was inaugurated on 21st January 1963.

The Institution of Engineers’ (India) foundation stone was laid on 24th February 1963. The Institute of Engineers functions with and amongst the professional engineers, academicians and research workers. It



Sainik School at Bhubaneswar

ଓଡ଼ିଶାରେ ଇଞ୍ଜିନିୟରମାନଙ୍କ ପାଇଁ
ସୁବର୍ଣ୍ଣ ସୁଯୋଗ ରହିଛି

ବର୍ତ୍ତମାନ କରୁଣା ପରିସ୍ଥିତିରେ ସେମାନେ ତଥା ଦେଶବାସୀ ସାମରିକବାହୁନୀରେ
ଯୋଗଦେବା ଉଚିତ

ଭାରତୀୟ ଇଞ୍ଜିନିୟରୀ ପ୍ରତିଷ୍ଠାନର ଓଡ଼ିଶା ଶାଖା ଅଧିବେଶନ ରାଜ୍ୟାଚାରଣ ଓ
ନୂତନ ଭବନର ଶୁଭ ଦେଇ ସାଧ୍ୟତାଳ ତକ୍ତର ଖୋସଲଙ୍କ ପାରମ୍ପରୀ
(କିଛି ପ୍ରତିକ୍ଷୁଦ୍ରଠାରୁ)

ଭୁବନେଶ୍ୱର, ତା ୨୩/୨—ସୁନ୍ଦରୀପାଳ ଚନ୍ଦ୍ରଶେଖର ଏ. ଏଚ. ଖୋସଲ ଆଜି ଏଠାରେ ବରଷାସୁ ଇଞ୍ଜିନିୟରୀ ପ୍ରତିଷ୍ଠାନର ଓଡ଼ିଶା ଶାଖାର ୪ର୍ଥ ବାର୍ଷିକ ଅଧିବେଶନ ଉଦ୍ଘାଟନ କରି କହୁଥିଲେ ଯେ, ଦେଶର ବର୍ତ୍ତମାନ କରୁଣ ପରିସ୍ଥିତି ଦୃଷ୍ଟିରୁ ସମସ୍ତ ଦେଶବାସୀ ବିଶେଷତଃ ଇଞ୍ଜିନିୟରମାନେ ସ୍ୱେଚ୍ଛାସ୍ତ୍ରୀତଃ ଭାବରେ ସାମରିକବାହୁନୀରେ ଯୋଗଦେବା ଉଚିତ ଏବଂ ପ୍ରତ୍ୟେକ ଖେତ୍ରରେ ଅଧିକ ଉତ୍ସାହୀନ କରି ଏକ ଉତ୍ପାଦନକାରୀ ବ୍ୟବସ୍ଥା ଗଠନ କରି ଉତ୍ପାଦନରେ ଦେଶର ପ୍ରତିଭା ପର୍ଯ୍ୟନ୍ତ ଅବଦାନ ଦେବା ଉଚିତ ।

ହେବ ବୋଲି ସେ ଆଶାତ୍ରାଣୀ କରୁଥିଲେ ।

କଲେକ୍ଟର ଉପସଭା ପ୍ରାଧିକାରୀ ମଲ୍ଲିକ, ଶିକ୍ଷା ଉପସଭା ପ୍ରଧାନ, ଆସିଷ୍ଟେଣ୍ଟ ସଭା ଶ୍ରୀ ଚନ୍ଦ୍ରଶେଖର ଦାଶ, ସୁନ୍ଦରୀପାଳ ଚନ୍ଦ୍ରଶେଖର ଏଚ. ଖୋସଲ ଏବଂ ଅନ୍ୟ

Speech of Dr. A. N. Khosla on the eve of inauguration of Orissa Branch of Institution of Engineers. Source: The Samaja

provides a vast array of technical, professional and supporting services to the government and the industries along with the academic and engineering communities.

The corner stone of the Regional College of Education (now Regional Institute of Education) was laid by the Union Minister of Education, Dr. K.L. Shrimali in Bhubaneswar on 21st May 1963. It was set up with the view to improve quality of school and teacher education comprising research, development and training.

On 14th September 1963, the 72 MW Hydel Power Station at Chiplima was inaugurated.

The 68th Session of Indian National Congress was held in Bhubaneswar from 9th to 10th January 1964.

The 26th to 28th Budgets were presented in 1961-62, 1962-63 and 1963-64 respectively. The corresponding total expenditure for these years amounted to Rs. 73.86 crore, Rs. 86.01 crore, and Rs. 103.63 crore. As regards the expenditure, Education, Village Welfare Department, Forests, Civil Works, General Administration, Police, Agriculture and Rural Development were areas of prime focus.

*68th Session of Indian National Congress was held in Bhubaneswar from 9th to 10th January, 1964.
Source: The Samaja*



ଭୁବନେଶ୍ୱରରେ ଆଞ୍ଚଳିକ ଶିକ୍ଷକ ତାଲିମ କଲେଜର ଶୁଭଦାନ

କେନ୍ଦ୍ର ଶିକ୍ଷାମନ୍ତ୍ରୀ ଡକ୍ଟର ଶ୍ରୀ ମାଳୀଙ୍କ
ପୌରୋହିତ୍ୟରେ ଅନୁଷ୍ଠିତ
କଲେଜର କୋଠାବାଡ଼ି କାମ ଶୀଘ୍ର ସମ୍ପୂର୍ଣ୍ଣ ହୋଇ
ଆଗାମୀ କଲ୍ଲାଇ ସୁଦ୍ଧା ପାଠ୍ୟକ୍ରମ ଆରମ୍ଭ ହୋଇପବ
ବୋଲି ଓଡ଼ିଶା ଶିକ୍ଷାମନ୍ତ୍ରୀ ଶ୍ରୀ ପ୍ରଧାନଙ୍କ ସ୍ୱାଗତ ଭାଷଣ
(ନିଜ ପ୍ରତିନିଧିଙ୍କଠାରୁ)

ଭୁବନେଶ୍ୱର, ତା ୨୮-୧-୧୯୬୧, ଶିକ୍ଷାମନ୍ତ୍ରୀ ଶ୍ରୀ ଡକ୍ଟର ଏଲ୍.
ଶ୍ରୀମାଳୀ ଆଜି ସକାଳରେ ଏଠାରେ ଆସିବାର ଶିକ୍ଷକ ତାଲିମ କଲେଜର
ଶୁଭ ଦେଲେ ।

କର୍ମ ଦାନ କରାଗଲା । କୋଠା-
ବାଡ଼ି ନିର୍ମାଣରେ ପ୍ରାୟ ୩୫ ଲକ୍ଷ
ଟଙ୍କା ପ୍ରାୟତଃ ଦେଇ ହେବ ବୋଲି
ହୁଏ ବ କରାଯାଇଛି । କୋଠାବାଡ଼ି
ମଧ୍ୟରେ *କଲେଜ ଲବନ ପଡ଼ିବ
ଏକ ପ୍ରଦର୍ଶନମୂଳକ ନିର୍ଦ୍ଦେଶନା
ଦିଆଯାଇଛି, ପ୍ରାୟ ୩ ଶହ ଗ୍ରନ୍ଥକ-
ପାଇଁ ଗ୍ରନ୍ଥାଳୟ, ଶିକ୍ଷକଙ୍କ ବାସଗୃହ,
କ୍ରୀଡ଼ା ଫିଲ୍ଡ, ବିଭିନ୍ନ କୋଠା ଇତ୍ୟାଦି
ନିର୍ମାଣ କରାଯାଉଛି । ସ୍କୁଲ ର ପୁସ୍ତି-
କର ସମସ୍ତ କାର୍ଯ୍ୟ ହୁଅନ୍ତୁ

Foundation stone
of Regional College
of Education laid at
Bhubaneswar.
Source: The Samaja

ଚିପ୍ଲିମା ବିଦ୍ୟୁତ୍‌କେନ୍ଦ୍ର ଉଦ୍‌ଘାଟନ

ଓଡ଼ିଶାର ମୁଖ୍ୟମନ୍ତ୍ରୀ ପାଇଁ ଏହା ଉତ୍ସର୍ଗୀକୃତ ବୋଲି
ପୁରୋଧା ଡକ୍ଟର ଖୋସଲଙ୍କ ସତନା
(ନିଜ ପ୍ରତିନିଧିଙ୍କଠାରୁ)



ଚିପ୍ଲିମା, ତା ୧୯୫୧—ଓଡ଼ିଶା ରାଜ୍ୟପାଳ ଚନ୍ଦ୍ରକାନ୍ତ ଅଭେକ୍ଷାନାଥ
ଖୋସଲ ଆଜି ଏଠାରେ ସ୍ୱରାଜ୍ୟ ଘୋଷଣାର ୨୯ ପର୍ଯ୍ୟାୟ ପବ୍ଲିକ୍‌ସନା
ଚିପ୍ଲିମା ବିଦ୍ୟୁତ୍ କେନ୍ଦ୍ର ଆନୁଷ୍ଠାନିକ ସ୍ତରରେ ଉଦ୍‌ଘାଟନ କଲେ ଏବଂ
ଓଡ଼ିଶାର ସମୃଦ୍ଧ ଓ ଉନ୍ନତ ପାଇଁ ତାହାକୁ ଉତ୍ସର୍ଗ କଲେ ।

ଋତୁ ବିଦ୍ୟୁତ୍ କେନ୍ଦ୍ରର ଦ୍ୱିତୀୟ
ପର୍ଯ୍ୟାୟ କାମରେ ଦୁଇଟି ଲକ୍ଷକଟ
ସ୍ଥାପିତ ହୋଇଛି ଏବଂ ପ୍ରତି
ଲକ୍ଷକଟରୁ ପାଠେ ୩୭ ମେଗାୱାଟ
ବିଦ୍ୟୁତ୍‌ଶକ୍ତି ଉତ୍ପାଦିତ ହେବ ।
୧୯୬୦ ମସିହାରୁ ଏହା ଦ୍ୱିତୀୟ
ଆରମ୍ଭ କରାଯାଇଥିଲା । ଏହି ଦୁଇଟି
ଲକ୍ଷକଟ ସ୍ଥାପିତ ହେବା ପରେ
ଏଥିରୁ ପ୍ରାୟ ୧୨୦ ମେଗାୱାଟ

ପବ୍ଲିକ୍‌ସନା କାର୍ଯ୍ୟକ୍ରମ କରା
ଯାଉଛି । କିନ୍ତୁ ୧୯୫୨ ମସିହାରେ
ବିଦ୍ୟୁତ୍ ଘୋଷଣା ହେବାପରେ
ବାଦାମୁଦାଦ ହୋଇ ନ ଥିଲେ ଏବଂ
ତା ପରେ ପରେ ଘୋଷଣାର
ନିମ୍ନ ଓ ନିର୍ମାଣ ସଂକଳ୍ପ କାର୍ଯ୍ୟ
କ୍ରମରେ ପରିଚାଳିତ ହେବ ନ
ଥିଲେ ୨୯ ପର୍ଯ୍ୟାୟ କାମ ଚଳୁଥାନ୍ତୁ

Inauguration of
Hydel Power Station
at Chiplima.
Source: The Samaja

29th Budget: 1964-65

The National Emergency brought about by the Chinese invasion of the country had considerably eased on the eve of presentation of the **twenty-ninth** budget. The danger to the Northern frontiers of the country called for strengthening of the national defence. Towards this, the State took up the responsibility of construction of the Aero Engine Factory near Sunabeda and Explosive Factory near Hirakud, on behalf of the Ministry of Defence. In spite of the higher production in all the sectors, the economic benefits flowing from the same were considerably upset from rise in prices and cost of living. Further, the increase in the incomes had been mostly neutralized by the growth of population. Lastly, towards the end of 1963, a Cholera-epidemic in Cuttack invited the attention of the Government towards provisioning of drinking water.

In this backdrop of large commitments and the need for improving the living conditions of the people, the budget was inevitably deficit in nature. Towards increasing agricultural production, many new schemes such as intensive rice cultivation in irrigated blocks, setting up of large mixed farms, hiring of tractors were provided for in the budget. Further, cold storages were to be provisioned in the Cooperative Sector. Besides, more than 120 Panchayat Industries were proposed under the village and small industries scheme. Intensive District Agricultural Programme, underway in 14 blocks in Sambalpur, was to be extended to eight more blocks. Proposition for a dam and power house in Tikerpada was made. A Ferro Silicon Plant was established in Rayagada. Rourkela Steel Plant (RSP) with an installed capacity of one million tonnes was set up with West



*Talcher Thermal Power Station
Source: ntpc.co.in*

German collaboration in 1964. The budget also expressed the interest in testing the feasibility of a scheme for family pension.

The foundation stone of Tikerpada Dam Project was laid in 1964. Pandit Jawaharlal Nehru laid the foundation stone of Talcher Thermal Power Station in January, 1964.

The Demonstration-Multipurpose (DM) School, the first CBSE affiliated school of the State was established in the capital city, to achieve higher standards of academic excellence through integral education.

The total expenditure for the budget was estimated at Rs. 132.56 crore. Irrigation and Power accounted for Rs.22.7 crore of the State Sector Budget Provision for Plan Outlay. This amounted to 36.7 per cent of the outlay. Transport & Communication and Social Services were the other two prime heads of development with 18.8 per cent and 14.5 per cent of the outlay, respectively.

30th Budget: 1965-66; 31st Budget: 1966-67

This period was marked with increased tension around the national borders. India faced open aggression from Pakistan while the threat of Chinese invasion continued to loom large. These turbulent times translated into increased expenditure on continuous alertness and preparedness. Further, migrants from Burma and refugees of East Pakistan to the State also added considerable strain on the economy. Orissa faced severe drought conditions particularly in its western part in 1965, leading to crop failure. However, the industrial production remained satisfactory during this time.

The **thirtieth** budget acknowledged that the issue of rising prices continued to disturb the State economy. Agriculture remained at the centre of the budget. Cold storages and godowns were provisioned, diversification of cropping pattern, intensive cultivation, and soil conservation were given due importance. Various rural industries



*Hindustan Aeronautics Limited
at Sunabeda*

were given impetus along with the sanctioning of two at Berhampur and Jeypore. The budget emphasized on the role of cooperative credit institutions in provisioning of agricultural credit, saving many agriculturists from the exploitation of money lenders. Among various other points of focus, the continuous expansion of the number of seats in institutes of technical education was notable.

Hindustan Aeronautics Limited (HAL) was founded in Sunabeda in 1965.

The Orissa Land Reforms (Amendment) Act of 1965 was enforced on 1st October 1965. The new Act amended the provisions of Orissa Land Reforms Act of 1960 relating to resumption of land for personal cultivation, ceiling on agriculture holding and disposal of the ceiling – surplus lands. The Village Chaukidari System was also abolished.

The **thirty-first** budget assessed the progress of the Third Five Year Plan which was nearing its end. The budget heralded the period as a landmark in the economic history of Orissa. In some fields like Industry, Transport and Communication new ground had been broken. In Power and Agriculture striking progress had been achieved, and in technical and professional education, attempt had been made to make up for the age-old deficiencies. Despite the recurrent floods and famines, the Chinese attack, the Pakistani aggression, the failure of monsoons, and various other financial difficulties, Orissa's progress was remarkable, the budget asserted.

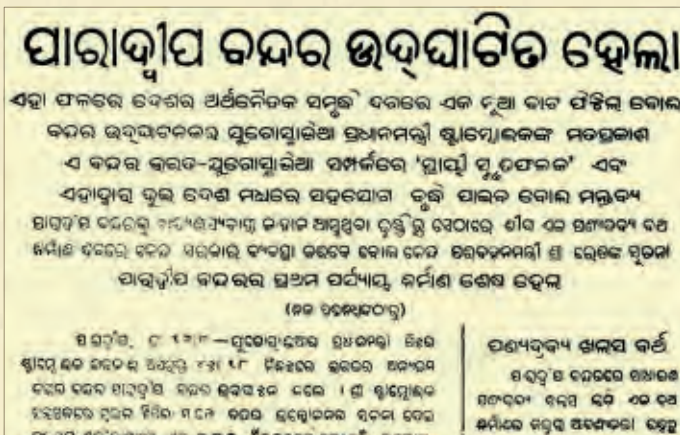
The circumspection for the Fourth Five Year Plan, in this backdrop, was summed in the words -

“The crucial problem for the Fourth Plan is thus, of accelerating the tempo of development without accelerating inflationary trend in the economy.”

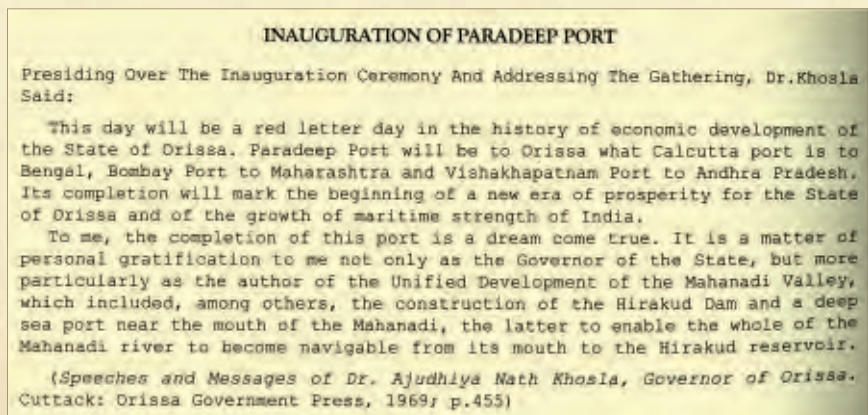
On account of severe drought of 1965, a Monopoly Scheme of procurement of rice and paddy had been launched. A regular Soil Survey Organisation was proposed to be set up. Dairy development was encouraged through the establishment of a Rural Dairy Extension Farm at Rourkela and the Dairy Unit of the State Livestock Breeding farm at Chiplima. To encourage fisheries, ice factory-cum-cold storages were provisioned. During this period, the scheme of separation of Judiciary from Executive which was underway in nine districts was proposed to be extended. The budget deliberated on the issue of mobilizing additional resources. Towards this end, the

entertainment tax, electricity duty or tariff, sales tax, and the rate of royalty on coal were hiked.

The Paradeep Port was inaugurated on 12th March 1966. Strategically situated so as to serve a vast hinterland spreading over various states, the port was expected to support economic activities by facilitating trade and commerce.



Inauguration of Paradeep Port.
Source: The Samaja



Speech of Dr. Khosla on the eve of the inauguration of Paradeep Port

ବ୍ରହ୍ମପୁର ଓ ସମ୍ବଲପୁରରେ ନୂଆ ବିଶ୍ୱବିଦ୍ୟାଳୟ

ଜନୁଆରୀ ପହିଲାରୁ କାର୍ଯ୍ୟ ଚାଲିଲା

ରାଜ୍ୟସଭାର ଉଚ୍ଚତର ଖୋସଲ ଆଜି ଆନୁଷ୍ଠାନିକ ଭାବରେ
ବ୍ରହ୍ମପୁର ବିଶ୍ୱବିଦ୍ୟାଳୟ ଉଦ୍‌ଘାଟନ କଲେ

ଭାରତୀୟ ବିଶ୍ୱବିଦ୍ୟାଳୟ, ବ୍ରହ୍ମପୁର ଓ ଉତ୍କଳ ବିଶ୍ୱବିଦ୍ୟାଳୟ ଏକାଡେମିକ୍ ନିଉନିଆର ଷିଶୁ ଭବନ ଓ ସିନେଟର
ପଦ୍ୟ ମନୋମଳ ହେଲେ

ଉତ୍କଳ ବିଶ୍ୱବିଦ୍ୟାଳୟ ଅନୁଷ୍ଠାନିକ ଭାବରେ ଏକାଡେମିକ୍ ଉଦ୍‌ଘାଟନ ହେଉ
[ନିଜ ପ୍ରତିନିଧିଙ୍କଠାରୁ]

<p>ନବମ, ରା ୩୧ — ଓଡ଼ିଶାରେ ନବବିଦ୍ୟାଳୟ ପ୍ରାୟତଃ ବ୍ରହ୍ମପୁର ଓ ଉତ୍କଳପୁରରେ କୁଳଟି ନୂଆ ବିଶ୍ୱବିଦ୍ୟାଳୟ ଖୋଲିଲା । ଏହା ଫଳରେ ଭାରତୀୟ ବିଶ୍ୱବିଦ୍ୟାଳୟ ପରିଚାଳନା ମିଳିତ ହେଲା । ସ୍ୱାଧୀନତାପରେ ଉତ୍କଳର ଅନେକାନ୍ତର ବିଦ୍ୟାଳୟ ଉଦ୍‌ଘାଟନ ହେବା ପରେ ମନୋମଳ ହେଲା । ମନୋମଳ ଦ୍ୱାରା ୧୯୬୬ ଜୁଲାଇ ପ୍ରକଳ୍ପ ଏକକର୍ମ ପାଇଁ ଫେରାକ ଦାୟତ୍ୱରେ ରହିବ ।</p> <p>୧୯୬୬ ଭାରତୀୟ ବିଶ୍ୱବିଦ୍ୟାଳୟ ଅନୁଷ୍ଠାନିକ ଭାବରେ ଉଦ୍‌ଘାଟନ ହେଲା । ୧୯୬୬ ମସିହା ପାଇଁ ଏକାଡେମିକ୍ ନିଉନିଆର ମନୋମଳ ଷିଶୁ ଭବନ ଓ ସିନେଟର ଏକକର୍ମ ପାଇଁ ମନୋମଳ କଲେ</p>	<p>ଓଡ଼ିଶା ନିଉନିଆର ବିଦ୍ୟାଳୟ ଉଦ୍‌ଘାଟନ ହେଲା । ଏହା ଫଳରେ ଭାରତୀୟ ବିଶ୍ୱବିଦ୍ୟାଳୟ ପରିଚାଳନା ମିଳିତ ହେଲା । ସ୍ୱାଧୀନତାପରେ ଉତ୍କଳର ଅନେକାନ୍ତର ବିଦ୍ୟାଳୟ ଉଦ୍‌ଘାଟନ ହେବା ପରେ ମନୋମଳ ହେଲା । ମନୋମଳ ଦ୍ୱାରା ୧୯୬୬ ଜୁଲାଇ ପ୍ରକଳ୍ପ ଏକକର୍ମ ପାଇଁ ଫେରାକ ଦାୟତ୍ୱରେ ରହିବ ।</p> <p>୧୯୬୬ ଭାରତୀୟ ବିଶ୍ୱବିଦ୍ୟାଳୟ ଅନୁଷ୍ଠାନିକ ଭାବରେ ଉଦ୍‌ଘାଟନ ହେଲା । ୧୯୬୬ ମସିହା ପାଇଁ ଏକାଡେମିକ୍ ନିଉନିଆର ମନୋମଳ ଷିଶୁ ଭବନ ଓ ସିନେଟର ଏକକର୍ମ ପାଇଁ ମନୋମଳ କଲେ</p>
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Two new universities were opened at Sambalpur & Berhampur.
Source: The Samaja

The Lal Bagh Palace, residence of the Governor, was donated to the Indian Red Cross Society to utilize it as a children’s hospital. In 1966, the Government of Orissa took over this hospital and made it an independent institute for post graduate training & research - presently known as Sardar Vallabhbai Patel Post Graduate Institute of Pediatrics, popularly called “Shishu Bhawan”.



Shishu Bhawan, Cuttack

Berhampur University was inaugurated on 2nd January 1967, and the Sambalpur University on 4th January 1967, with the view of creating a knowledge economy in the State.

The 30th and the 31st Budget were presented in 1965-66 and 1966-67 respectively. The total expenditure for these years was budgeted at

Rs. 144.71 crore and Rs. 156.03 crore respectively. The corpus of the Contingency Fund was first time reduced from Rs. 5 crore to Rs. 2 crore in 1965-66 which was later increased from Rs. 4 crore to Rs. 6 crore. Power Generation, Agricultural Production, Improvement in Agriculture and Agricultural Practices, Health Care, Development of Backward Classes and Communication remained the major areas of focus in the two budgets.

32nd Budget: 1967-68; 33rd Budget: 1968-69; 34th Budget: 1969-70; 35th Budget: 1970-71

The **thirty-second** budget called for an improvement in the devolution of resources to the States. The existing system had failed to ensure balanced regional growth and the past three plans had only widened the gap, making the rich states richer and the poor lagging far behind. Therefore, the budget pushed for Constitutional reforms that would ensure larger resources to the State.

Owing to the difficulties faced by the nation in 1965, external aggression and extreme recession in agricultural and industrial production, the fourth plan was pushed off to begin from 1969. The interim period was to be covered with Annual Plans. Accordingly, an Annual Plan of Rs. 46.92 crore was formulated for the State for the year 1967-68. The outlay fell far short of the needs.

Although the year 1967-68 started with great expectations, the floods in Mayurbhanj and Balasore districts, unprecedented cyclone in Cuttack district, and drought conditions in various parts of the State affected the prospects of a bumper crop. Despite agricultural production being satisfactory, prices continued to rise.

The **thirty-third** budget acknowledged that the State was a befitting example of the paradox of plenty. Irrespective of the abundant natural resources, the State was one of the poorest in the country. The budget surmised that the natural resources had to be utilized

efficiently, which would require massive investment. However, resource mobilization in Orissa was difficult owing to the lack of savings of people. Unavoidably therefore, the State had to depend on resources from outside of the State, particularly from the Government of India. Simultaneously, the State had to make sure that unremunerative schemes were abandoned and wasteful expenditure was avoided. Thus, the State government faced a challenging road to development.

Paucity of resources impaired the reach of the Annual Plan for the year 1968-69. The completion of projects was delayed and hardly any new schemes could be provided for. The budget declared that the Annual Plan was inadequate with a budgeted amount of Rs.33.38 crore. But the situation was unavoidable owing to the insistence on the part of the Centre to refrain from deficit financing.

Increasing Power Generation, augmentation of Irrigation facilities with major projects in Mahanadi Delta and Salandi, and medium projects in Budhabudhiani, Dhanei and Hiradharabati, proposition for developing more number of industrial areas, adoption of a new Industrial Policy, decision to wind up the Orissa State Transport Corporation, increased emphasis on the Family Planning Programme, establishment of a State Bureau of Filariasis, replacement of Zilla Parishads with District Development Advisory Committees (Orissa Panchayat Samiti and Zilla Parishad (Second Amendment) Act, 1967), abolishment of the Panchayat tax, withdrawal of the primary education from the control of the Panchayat societies, establishment of a Central Seed Farm and the Orissa Grama Rakshi Scheme, were few of the notable points mentioned in the budgets. The period witnessed the replacement of compulsory basic water-rate with an optional one. The prohibition of the use of toddy as an intoxicant was enforced from 1st April 1968.

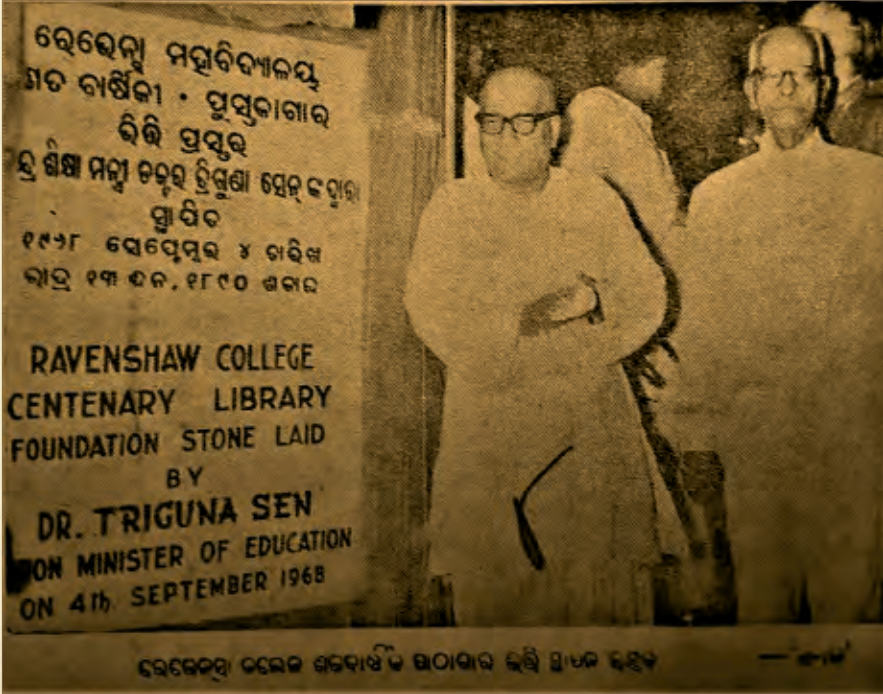
The Talcher Thermal Power Plant became functional on 8th April 1968.

On the occasion of the centennial year celebration of Ravenshaw College, the foundation stone of the centenary library was laid by Dr. Triguna Sen, the then Union Minister of Education on 4th September 1968.



Technical advisor
Dr. Haraprasana Mishra
showing the map of Talcher
Thermal Power Plant to
then the Chief Minister
Sadasiva Tripathy.
Source: The Samaja

କଳଚେର ଶିଳ୍ପଯୋଜନାର ଶେଷସ୍ଥଳୀ ଅବଲୋକନ ଉଦ୍ଦେଶ୍ୟ ସମ୍ପୂର୍ଣ୍ଣ ମିଶ୍ର ମୁଖ୍ୟମନ୍ତ୍ରୀ ଶ୍ରୀ ଉଦ୍‌ଧର ଚନ୍ଦ୍ର ପାଠିକର ଶ୍ରୀମତୀ ସାଧବୀଙ୍କ ସହିତ କଳଚେର ଶିଳ୍ପଯୋଜନା ନିକଟସ୍ଥ ହୋଇ ଅଛନ୍ତି ।
 ତାମରୁ ଜାଣାଯାଏ — କଳଚେର ଉଦ୍‌ଧର ଚନ୍ଦ୍ର ମିଶ୍ର, କେନ୍ଦ୍ରାପଡ଼ା ଜିଲ୍ଲାର ମନ୍ତ୍ରୀ ଶ୍ରୀ ଅବଲୋକନ ଶ୍ରୀ ଅବଲୋକନ ଶ୍ରୀ ସଦାସିବ ତ୍ରିପାଠୀ, ଉପମନ୍ତ୍ରୀ ଶ୍ରୀ ମଦନମୋହନ ପ୍ରଧାନ ଓ ରାଜ୍ୟ ଶିଳ୍ପ ମନ୍ତ୍ରୀ ଶ୍ରୀ ରାଜକିଶୋର ମହାପାତ୍ର ।



Foundation stone of
Ravenshaw College
Centenary Library laid by
Dr. Triguna Sen.
Source: The Samaja

Freedom fighter and litterateur Shri Radhanath Rath was honoured with Padma Bhushan title in 1968.

The **thirty-fourth** budget, in the backdrop of recurrent droughts, cyclones and deferment of the Fourth Plan Period, restricted the Annual Plan outlay for 1969-70 to a bare minimum. Larger outlays for Irrigation, Power and Industries were provided to expedite the process of completing the continuing projects. The number of Centrally Sponsored Scheme was considerably reduced with the assurance that Central assistance for such schemes would be cent per cent in future.

The budget reiterated the importance of institutional funds like cooperative credit for the agricultural schemes. It suggested measures for increased production and better prices for agricultural produce.

The **thirty-fifth** budget continued on the same lines as the preceding years, maintaining that the annual plans restricted the budgets to providing only the barest minimum of the needs. The budget continued to emphasize on the schemes continuing from the preceding budgets of the time. Like the earlier budgets it acknowledged the great dependence on Centre for funds and stressed the importance of mobilizing resources from within the State to reduce the reliance on Centre.

On account of breakdown of the coalition government, President's Rule was enforced in the state for the second time between 11th January 1971 and 3rd April 1971.

The 32nd to 35th Budgets were presented during 1967-68, 1968-69, 1969-70 and 1970-71 respectively. The total expenditure for these years was estimated at Rs.174.11 crore, Rs.178.78 crore, Rs.195.54 crore and Rs.218.48 crore, respectively. Irrigation and power, agricultural programmes, transport and communication and social services continued to assume significance in the budgets.

36th Budget: 1971-72; 37th Budget: 1972-73

The past few fiscal years had registered increase in agricultural production. However, a quick succession of natural calamities in the State brought immense loss and untold hardships. However, the determination for economic development and prosperity was undiminished.

The resolve of the **thirty-sixth** and **thirty-seventh** budgets was very much alike. The emphasis of both the budgets was on irrigation, power, agricultural production, afforestation, expeditious execution of schemes of mineral development and mineral based industries, rapid development of transport facilities including laying of new railway lines, rapid development of marine resources and fisheries.

With the aim of consolidation of land, Section 22 of the Orissa Land Reform Act, 1960 was amended in 1971-72. The Government had also deliberated on drafting a bill to implement a scheme for land consolidation. The economic implications of Land reform was summed up in the following lines -

“We consider Land Reforms not only essential from the point of view of social justice but also as a vehicle for achieving a sustained high rate of growth of agricultural production. Land reform is a definite step towards socialism to which our country is committed.”

A chapter of Orissa Land Reform Act was introduced which dealt with the fixation of ceilings of land holding. Podu cultivation was encouraged in Koraput, Phulbani, Ganjam districts and elsewhere in other districts.

Unemployment continued to cause significant distress to the Government. In addition to the impetus given to various rural

industries, private sector industries, fisheries and other sectors to spin the employment situation around, the **thirty-seventh** budget took up the Charakha Programme and the Village Artisans Rehabilitation Programme.

A new Industrial Policy Resolution was put in place to create a conducive environment through an enabling policy and regulatory framework to drive industrial growth in the State.

The State's coast was hit by a super cyclonic storm in 1971.

On 8th July 1972, the Cuttack-Paradeep Railway Line was opened for traffic.

Mobilization of additional resources through revision of rates of sales tax, increase in the rates of land cess, revision of stamp duty, increase in electricity duty, increase in irrigation rates, increase in some of the rates of mining royalty, extension of entertainment tax, tax on passenger fares, toll on expressway, rationalization of kendu leaves trade, enhancement of rate of tax on sale of motor spirit and rationalization of the procedure for Agricultural Income Tax found mention in both the budgets. Further, a tax on agricultural land on graduated scale was also introduced.

The 36th and 37th Budgets were presented in the August House of Orissa Legislative Assembly in 1971-72 and 1972-73 respectively. The corresponding total expenditure was budgeted at Rs.234.26 crore and Rs.259.15 crore.

The Government of India sanctioned the construction of the Rengali Multi-Purpose Dam Project in Orissa. The Industrial Promotion and Investment Corporation of Orissa Ltd. (IPICOL) was established on 12th April 1973. In October 1973, the Lift Irrigation Corporation was established to help the cultivators.

The foundation stone for a Naval Training Centre was laid at Chilika in 1973. It was set up with the objective of strengthening itself continuously as a formidable, multi-dimensional and networked force that maintains high readiness at all times to protect maritime interests, safeguard seaward frontiers and defeat all maritime threats.

The President's Rule which was imposed for the third time in Orissa continued for little more than a year and ended on 6th March 1974.¹³²

The total expenditure for the year, as presented in the 38th Budget, was estimated at Rs.301.29 crore.

39th Budget: 1974-75; 40th Budget: 1975-76

This period coincided with the onset of the 5th Five Year Plan. The country had not recovered from the after-effects of the Bangladesh Liberation War, successive widespread droughts and the economic malaise of spiralling prices. The staggering price situation as aptly summed by the President of India and quoted in the **thirty-ninth** budget of the State, states -

“...the phenomenon of growing price rise has resulted in unsettling in a variety of ways the normal life of the community and has imposed hardships seldom known before.”

¹³² P. R. Brass, *The Politics of India since Independence*. Cambridge: Cambridge University Press, 1994, p. 37.

Our State could not escape the vortex of forces engulfing the national economy. The disastrous cyclone of 1971, followed by large scale drought and flood had already pushed the State's economy into stagnation, and the poor and vulnerable to crippling poverty. The budget resolved to correct the imbalance and distortion in the State's economy. It asserted that the priorities were to be reordered to subserve the basic objective of growth with justice. This intent was also captured in the 5th Five Year Plan formulated for the State.

The **thirty-ninth** budget announced larger outlay in various sectors of the economy – agriculture, land reforms, animal husbandry, health and water supply, education, and tourism. That apart, expansion of milk supply schemes, expansion of fisheries, impetus to handlooms, setting up of a Nickel Extraction Plant, and Applied Nutrition Programmes in the field of horticulture, pisciculture and poultry, etc. found mention in the budget.

The budget proposed to reintroduce land revenue in the State, make basic water-rate compulsory, impose a 'Luxury Tax' on foreign liquor, hike the Electricity tariff/duty, levy a surcharge on the Entertainment Tax, and revise the bamboo royalty rates towards mobilizing additional resources.

The budget recommended continuous monitoring and evaluation of data for locating critical areas and devising appropriate corrective action towards setting up a feedback system for the plan programmes. The departments entrusted with the execution of projects and large scale works programme, were to be placed under Performance Budgets. A revised classification of accounts, under a five-tiered structure of – sectors, functions, programmes, activities and standard objectives of expenditure, was also introduced. These measures were intended at reducing the gestation period of projects, over-runs on estimates and unplanned dispensation of resources.

Maharaja Krushna Chandra Gajapati, who played a pivotal role in the creation of a separate State of Orissa, breathed his last on 25th May 1974.

The fortieth budget emphasized on the distribution of land to the landless, utilization of institutional credit for agricultural development, rural electrification schemes, revamping of medical facilities with the setting up of additional number of Primary Health Centres, development of the Indian system of medicine and promotion of various programmes like National Malaria Eradication Programme, National Smallpox Eradication Programmes, Leprosy control programme and family planning programme, etc., and on the development of the Tourism sector.

The budget also introduced a scheme of Old Age Pension to cover all destitutes of and above the age of 65, from 1st April 1975.

In this year a Salt Water Crocodile Research Centre was established at Dangamal of Bhitarkanika to protect the crocodilian species in their natural habitats.

The intention manifested in both the budgets was that **“a common and united approach will transform the budget into a powerful instrument of social change and many better tomorrows for millions of our less fortunate countrymen”**.

The 39th and the 40th Budgets were presented in 1974-75 and 1975-76, with total expenditure of Rs. 318.88 crore and Rs. 370.04 crore, respectively.

During this period, Irrigation and Power sectors had been given prime importance followed by Agricultural Programmes and Social Services.



ସ୍ଵତନ୍ତ୍ର ଉତ୍କଳର ଅନ୍ୟତମ ନିର୍ମାତା
ପାରଳା ମହାରାଜାଙ୍କ
ପରଲୋକ
 ବାଷ୍ପୀୟ ମର୍ଯ୍ୟାଦା ସହକାରେ
 ଅନ୍ତ୍ୟେଷ୍ଠିକ୍ରିୟା ସମ୍ପନ୍ନ
 (ନୈବ ପ୍ରତିନିଧିକୌତୁ)

ରୁବନେଶ୍ଵର, ଡା ୨୬ । ୫-ସୁଭର ରୁହୁଁ ପ୍ରଦେଶର ପ୍ରଥମ ପ୍ରଧାନମନ୍ତ୍ରୀ
 ନରୋତ୍ତମର ଅନ୍ୟତମ ନିର୍ମାତା ପାରଳା ଖେମୁଣ୍ଡି ମହାରାଜା କୃଷ୍ଣଚନ୍ଦ୍ର ଗଜପତି
 ନାରାୟଣ ଦେବଙ୍କର ଗଡ଼ କାଗି ପୂର୍ବରୁ ସାତେ ୧୧ଟା ବେଳେ ପାରଳାଖେମୁଣ୍ଡି-
 ଠାରେ ପରଲୋକ ହୋଇଯାଇଛି । ମୃତ୍ୟୁ ବେଳକୁ ତାଙ୍କର ୮୨ ବର୍ଷ ବୟସ ହୋଇ-
 ଥିଲା ।

Maharaja Krushna
 Chandra Gajapati died
 at the age of 82.
 Source: The Samaja

41st Budget: 1976-77

The **forty-first** budget declared its intent to work for a more egalitarian society, create greater economic opportunities and involve in this process the economically backward and socially poor. The budget outlined a long term perspective and short term goals. The long range focus was directed at the expansion of the sources of earnings and strengthening the State's economy. In the short run the budget proposed to implement schemes of lesser gestation to benefit the underprivileged, the unemployed and the weaker sections.

The Core Sector Programmes centering on agriculture, major & medium irrigation projects and power accounted for an impressive 73.8 per cent of the Plan Outlay. A Co-operative Credit of Rs.25 crore for short-term loans and Rs.10 crore for medium and long-term loans was provided, bringing 70 per cent of the agricultural families within the cooperative fold. Four Rural Banks were proposed to be established in the State as a step towards meeting the all-round banking and credit needs of the rural community.

Besides land consolidation measures, increasing production and consumption of fish in the State, irrigation, promotion of three joint sector projects by IPICOL, establishment of several industrial estates by the Orissa Small Industries Corporation, establishment of a Handloom Development Corporation, conservation and regeneration of forests, establishment of a birds' sanctuary at Chilika, drinking water supply schemes, establishment of several hospitals and dispensaries, a minimum wage of Rs. 4 for labourers, and the promotion of the tourism sector were the noteworthy points in the budget. Various social welfare measures were implemented including anti-dowry legislation, free legal aid to the poor, nutrition feeding programmes, group insurance scheme and old-age pensions.

“The Bonded Labour System (Abolition) Act – 1976” was put in place for the abolition of bonded labour system with a view to preventing economic and physical exploitation of the weaker sections of the society.

On 16th December 1976, President's Rule was enforced in the state for the fourth time, and the assembly was kept under suspended animation. It was revoked on 29th December 1976.

The budget projected that the State's own tax and non-tax revenues, would for the first time cross the Rs. 100 crore mark in 1976-77. And the major factor contributing to this improvement was the higher efficiency in collection of current and arrear dues of the Government. The total expenditure for the budget was projected at Rs.461.3 crore.

42nd Budget: 1977-78; 43rd Budget: 1978-79; 44th Budget: 1979-80

The National Emergency was revoked on 21st March 1977. The new Government asserted that it had a challenging task to perform owing to the lop-sided fiscal policies and distortions of the Emergency of the past few years. The Government's approach towards development programmes was focused on rural development, with primacy on agriculture and village industries, provision of water supply, village roads, education and health services and all round welfare of the weaker sections of the society.

The prime emphasis of the **forty-second** budget was to tackle the problem of unemployment through the development of ancillary activities in repairing, servicing and transportation in the rural areas. Measures to increase agricultural productivity, taking financial support from the International Development Association (an affiliate of the World Bank), enlarging irrigation coverage, rural infrastructure, education, housing and labour welfare were the other notable points mentioned in the budget.

On 3rd January 1977, the foundation stone of the Freshwater Aquaculture Research and Training Centre was laid at Kausalyaganga on the outskirts of Bhubaneswar. It was set up with the vision of making Indian freshwater aquaculture globally competitive through eco-

friendly and economically viable fish production system for livelihood and nutritional security. It was later renamed as the Central Institute of Freshwater Aquaculture.

On 9th April 1977, the foundation stone of Upper Indravati Irrigation Project was laid at Mukhiguda in Kalahandi district. It is located in southern Orissa on the tri-junction of Koraput, Nabarangpur & Kalahandi districts.

For the fifth time in the forty-one years of the State, President's Rule was imposed for 57 days from 30th April 1977 to 26th June 1977.

Despite the onslaught of natural calamities in 1977, the prospects of the State's economy were encouraging. The **forty-third** budget was framed in a manner to promote greater capital formation by effecting reduction in Revenue Expenditure and increasing Capital Outlay. The budget proposed a planning process that would harmoniously blend the local needs with the regional development.

The budget stressed on agricultural productivity, credit support through co-operatives, setting up of three new irrigation projects - Rengali, Upper Indravati and Mahanadi Barrage, expansion of power generation capacity, speeding up of rural electrification, and development of an efficient network of highways and rural roads connecting market centres. With regards to the unemployment situation, the budget warned against excessive dependence on industrialization. Instead, it encouraged self-employment opportunities through liberal financial assistance.

On 20th December 1978, the foundation stone of the Mahanadi barrage was laid in Cuttack. The barrage was set up as a flood control measure, and to develop irrigation potential.

In addition to the importance given to agriculture in the **forty-fourth** budget, horticulture, dairy farming, fisheries and farm-forestry were encouraged. Further, owing to the growing demand for power, it was

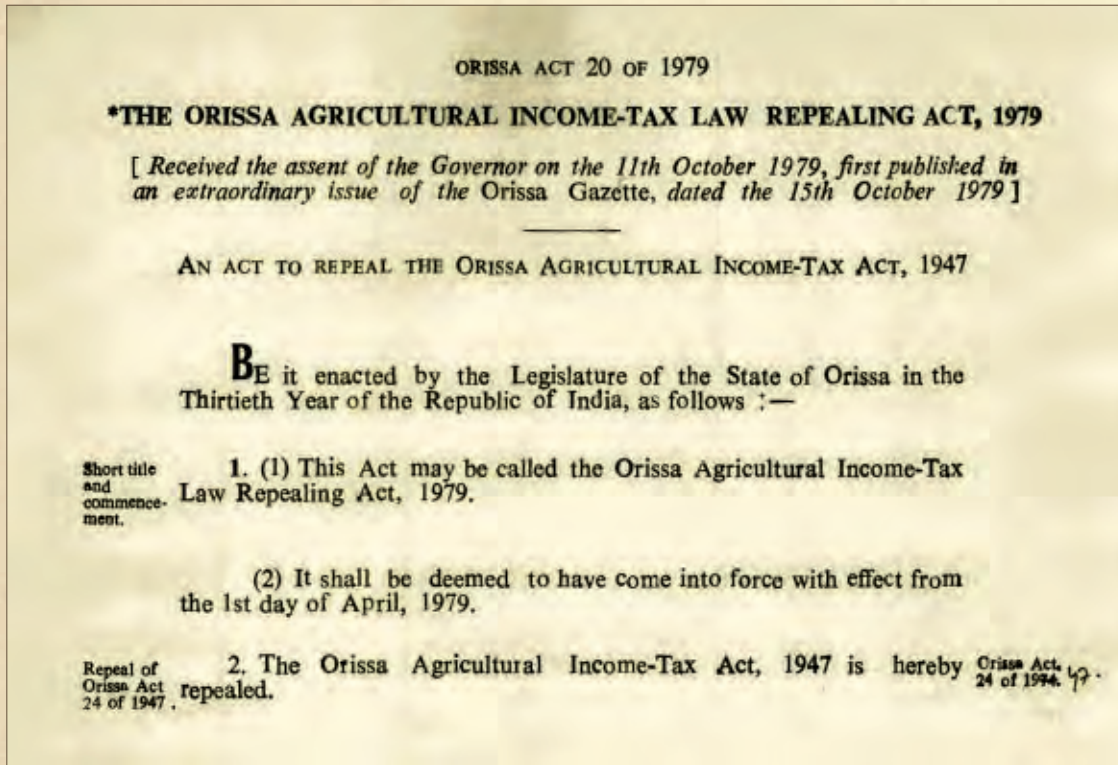


*Upper Indravati
Irrigation Project*



*Mahanadi Barrage
Cuttack*

proposed that the installed capacity of power would be expanded with financial assistance from Rural Electrification Corporation, and Agricultural Refinance and Development Corporation. Dispersal and development of cottage and small industries in rural and semi urban areas also mentioned at length. District Industries Centres were set up in all districts. Towards the Public Health Policy, the budget endeavored to intensify health services in Integrated Tribal Development Projects by establishing Mini Health Centres. Homeopathy was to be encouraged. Keeping in sync with the preceding budget, the forty-fourth budget re-iterated the importance of self-employment opportunities in solving the menace of unemployment. Towards this end, development of labour-intensive cottage and small industries and proper utilization of assistance under the Grain for Work Programme were charted.



The Orissa Agricultural Income-Tax Law Repealing Act, 1979

The Orissa Agriculture Income Tax was repealed in 1979.

The State was put under President's Rule on the 17th February, 1980 and the House was dissolved.

The 42nd to 44th Budget were presented in 1977-78, 1978-79 and 1979-80, respectively. The corresponding total expenditure for these years was estimated at Rs.570.46 crore, Rs. 706.13 crore, and Rs.728.54 crore. The essence of the three budgets was to find a long lasting solution to the economic problem of the State, poverty and backwardness, through large and prudent investments for acceleration of development activities.

This period focused on development of Water Resources and Power Sector in the State.

**45th Budget: 1980-81; 46th Budget: 1981-82;
47th Budget: 1982-83; 48th Budget: 1983-84;
49th Budget: 1984-85**

The change of power at the Centre, had led to the quick dissolution of the Government in the State in 1980. President's Rule was enforced on 17th February 1980, only to be revoked on 9th June 1980. The budget for the year 1980-81 was presented in September 1980, reflecting the new policies and programmes of the newly elected Government. An interim budget had been previously presented in July.

The **forty-fifth** budget was presented amid the shortages developed in the supply of essential commodities, heavy budgetary deficits and surging inflation. The impact of the drought of the previous year on agricultural and industrial production was equally deleterious. Reservoirs had dried up, resulting in power shortage leading to closure of many industries. Human suffering was immense. The forty-fifth budget intended to provide an operational strategy for growth.



*Message of then Hon'ble PM
on the eve of laying of
foundation stone of Aluminum
Complex in Orissa*

Amongst other areas of significance, the one scheme that the Government prioritized in this budget was that of economic rehabilitation of the Rural Poor. Under this scheme, the ten poorest families in each village were to be enabled to attain income levels above the poverty threshold. Irrigation, Power, Tourism, Transport, Communication, Health, Water Supply, Education and Agriculture were given higher allocations. The Industrial Resolution Policy, 1980 was introduced.

Shri Bijayananda (Biju) Patnaik, for his role in the Indonesian Freedom Struggle, was given honorary citizenship of Indonesia, and awarded "Bhoomi Putra", the highest Indonesian award and rare distinction ever granted to a foreigner.¹³³

The **forty-sixth** budget announced the establishment of a massive Aluminium complex and various other industrial Plants in the State.

¹³³ R. Mishra, "Biju - The Greatest Oriya in Living Memory". *Orissa Review*, February-March 2010, pp. 57-59.

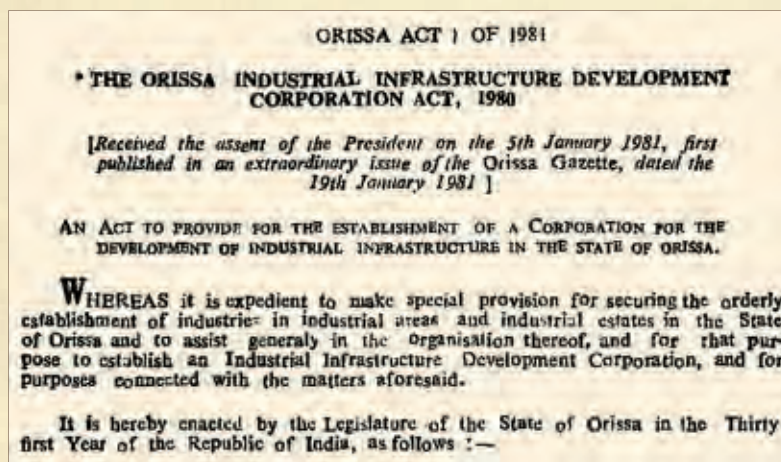
Besides the endeavors charted in the previous budget, improved water management and timely supply of inputs and credits in the Agricultural Sector; development of fisheries through promotion of fisherman cooperatives, conservation of fishery resources and training of personnel, an inland fishery development project, and establishment of a Fish Seed Development Corporation; handloom, sericulture and handicraft continued to enjoy utmost priority in this budget. Eradication of bonded labour was given special attention and various other measures ensuring labour welfare were also taken. Under Minimum Needs Programme, low-cost houses were provided to landless and weaker sections of the society.

Shri Jagannath Sanskrit University was established in the holy land of Lord Jagannath, fulfilling the long aspirations of the Sanskrit lovers of the State.

National Aluminium Company (NALCO) was established on 7th January, 1981 to achieve sustainable growth through creation of business opportunities in Metals and Energy Sectors.

Orissa Industrial Infrastructure Development Corporation (IDCO) was established in 1981 with the objective of creating infrastructure facilities in the State for growth of industries, trade and commerce.

In addition to expanding and augmenting the schemes of the preceding budget, the forty-seventh budget introduced a scheme for Training the Rural Youth for Self-Employment (TRYSEM). Towards developing tourism, the budget provided for the establishment of Panthashalas at different centres of pilgrimage. The budget outlined the intention of opening at least one cooperative store at every Gram Panchayat headquarter to deal in essential commodities. The Orissa Development Authorities



*Orissa Industrial
Infrastructure Development
Corporation Act.
Source: Orissa Gazette, 1981*



Speech of the Governor of Orissa Shri Cheppudira Muthana Poonacha on the eve of the inauguration of Jagannath Sanskrit University



*NALCO Aluminum Refinery
at Damanjodi*

Bill was introduced in the House to ensure systematic and planned urbanization in the industrial and potential growth centres in the State.

A succession of natural calamities like hailstorm, cyclone, flood and drought affected all the districts of the State in varying degrees of intensity. The Annual Conference of the Indian Road Congress was held at Bhubaneswar on 23rd December 1982.

The forty-eighth and forty-ninth budgets had to engage in providing for large-scale programmes of restoration and rehabilitation. Special feeding programmes were also initiated. This cast a heavy burden on the resource base of the State. Funds were earmarked for subsidized seeds, developing animal husbandry, conservation and regeneration of forest was given importance with the objective of 'Development without Destruction', commissioning of three projects – Properzi Plant at Hirakud, Spun Pipe Plant at Barbil and Orichem at Talcher - and various other industries, setting up of a new Engineering College and a Polytechnic College at Talcher, social housing, opening of multiple Ayurvedic and Homeopathic dispensaries, and various programmes for SCs and STs, women and children. Besides, roads, bridges, drinking water facilities and housing were the focus of the budget.

Towards mobilizing additional resources, revision of Power tariff, cess on mining royalty, revision of royalty on coal and chromite, revision of fares and freights of road transport undertakings were proposed in all the budgets. The budget of 1984-85 institutionalized the commercial sale of Sal seeds which was expected to be remunerative for the government. The strategy of the Government was basically to take a greater recourse to non-tax measures.

In 1983, Dr. H.K. Mahatab received the Kendriya Sahitya Academy Award for his essay collections 'Gaan Mazjlis', which influenced societal reconstruction and reorganization in the State.

The Orissa Science Academy was established in 1984, with the aim to impart best quality education to student in Orissa in order to ensure their holistic growth, and uplift the academic scenario to a whole new level.

On 29th October 1984, the foundation stone of the Ordnance factory was laid at Saintala in Balangir district. The factory was set up with state of art technology to manufacture medium and heavy calibre ammunition.

The Orissa Renewable Energy Development Agency (OREDA) was constituted as a State Nodal agency with a view to popularize the exploitation and use of renewable energy resources in the State.

1984 marked the loss of two great personalities and ex-Chief Ministers of Orissa - Shri Nabakrushna Choudhury and Shri Biswanath Das.

The foundation stone for the Talcher-Sambalpur Railway line was laid down in this year.

On 30th October 1984, Prime Minister Indira Gandhi delivered a speech at the then Parade Grounds in front of the Secretariat of Orissa. This turned out to be her last speech as she was assassinated the very next day. The ground was later converted into the Indira Gandhi Park, inaugurated by Shri Rajiv Gandhi.

The 45th to 49th Budget were presented in 1980-81, 1981-82, 1982-83, 1983-84 and 1984-85 respectively. The corresponding total expenditure for these years was estimated at Rs.768.78 crore, Rs.810.6 crore, Rs.1,128.58 crore, Rs.1,341.44 crore, and Rs.1,608.14 crore.

**50th Budget: 1985-86; 51st Budget: 1986-87;
52nd Budget: 1987-88; 53rd Budget: 1988-89**

Successive Finance Commissions had categorized Orissa as a 'Revenue Deficit' state and subsequently, grant-in-aid was allotted to the State to bridge the gap between the revenue receipts and expenditure. The narrow resource base of the State continued to be affected by natural calamities. Nevertheless, the gap between the national per capita income and the State's per capita income was being progressively narrowed down. This reveals the resolve of successive Governments to make the most even out of the scarce resources at their disposal.

This period coincided with the roll-out of the Seventh Plan Period. The main objective of the Seventh Plan was – the application of resources

for increase in output everywhere particularly food production and creation of employment opportunities for eradication of poverty. The **fiftieth, fifty-first, fifty-second and fifty-third budgets** embodied this objective.

The **fiftieth** budget replaced the Crop (Loan) Insurance Scheme with a 'Comprehensive Crop (Loan) Insurance Scheme'. This would be compulsory in the sense that whoever availed crop loans from Cooperatives, Commercial Banks and Rural Banks would automatically come under the scheme. The Orissa Plantation Development Corporation was set up and an externally aided Project known as Social Forestry Project funded by the Swedish International Development Agency were also initiated. The first unit of Rengali Hydroelectric Project, the Upper Kolab and Hirakud were commissioned in recognition of the great importance of building up of adequate capacity of power generation. Further, rural electrification, incentives to Spinning mills, Integrated Mineral Resources Survey in collaboration with the Geological Survey of India, provision of coronary units in all District Headquarter Hospitals, encouragement to social sciences research through the establishment of an Institute of Social Sciences, creation of a separate Department of Sports, creation of a separate Directorate of Social Welfare, and improving the environment of slum dwellers found mention in the budget.

The first State Lok Adalat was held at Cuttack in 1985. Lok Adalat was introduced as a new system of dispensation of justice, to grapple with the problem of over-crowding of the courts requiring long waiting for getting justice.

This year marked the demise of the first Odia woman freedom fighter, Rama Devi. Her contribution to the State and the nation, as a freedom fighter, social reformist and patriotist, remains an inspiration to every living woman in the world.



Rengali Hydro-Electric Project



Upper Kolab Hydro-Electric Project

A spectacular sports complex, Jawaharlal Nehru Indoor Stadium was inaugurated at Cuttack.

Utkal Keshari Dr. Harekrushna Mahatab breathed his last in 1987. Consequently, the Harekrushna Mahatab State Library was inaugurated at Bhubaneswar.



Jawaharlal Nehru Indoor Stadium, Cuttack

In the backdrop of failure of monsoons and consequent drought, the **fifty-third** budget strived to introduce drought management efforts by undertaking large scale programmes of relief for generating income and employment. The budget also emphasized on the role of cooperatives in the agro-based economy of the State, financial assistance to artisan-based industrial units, augmenting installed power generation capacity, setting up of NTPC's super thermal project of 100- megawatts at Talcher, installation of a number of bio-gas plants and windmills, launching of a Group Insurance Scheme for the landless agricultural labourers and introduction of vocational courses in secondary schools. The budget categorically emphasized on promoting sports activities in the State by according highest priority to sports infrastructure in districts as well as sports centres.

The year 1988 chronicled the Cuttack Doordarshan Kendra's first newscast in Odia.

It was declared to promote 1000 Industries in 1000 days to intensify industrialization in the State.

The 50th to 53rd Budget were presented in 1985-86, 1986-87, 1987-88 and 1988-89 respectively. The corresponding total expenditure for these years was budgeted at Rs.1,885.77 crore, Rs.1,912.94 crore, Rs.2,333.08 crore and Rs.2,700.84 crore. The budget of 1986-87 followed a Zero-Based Budgeting System and mobilized resources to spend Rs.600 crore in plan expenditure.

54th Budget: 1989-90

The recurring droughts posed a major burden to the State's coffers. It resulted in a decline in the food-grain production and thereby, a fall in the overall state domestic product. Alternatively, some districts were badly affected by flood. To ease the distress caused by these natural calamities, the State had to undertake appropriate relief measures including execution of a massive programme of labour intensive works in rural and other affected areas.

Besides that, the **fifty-fourth** budget emphasized on farmer's education, creation of water harvesting infrastructures, strengthening of cooperatives in the areas of housing, marketing and consumer services, prioritizing anti-poverty programmes and schemes for the welfare of women and children, apart from strengthening existing programmes continuing from the previous years. Funds were also provided for establishment of the Odissi Research Centre, conservation of ancient monuments and provision of micro-filming facilities.

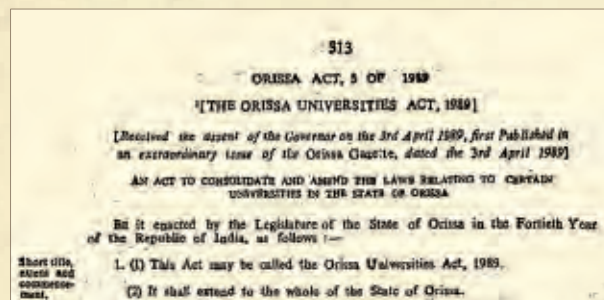
Orissa University Act received the Governor's assent on 3rd April 1989.

The foundation stone of IB-Thermal Power Station, a coal based power plant, was laid in this year.

An intermediate range ballistic missile, Agni-I was test fired from Chandipur in this year.

Shri Rabi Ray was elected as the 9th Speaker of Lok Sabha in this year.

The 54th Budget was presented in 1989-90. Total expenditure for the year was budgeted at Rs. 3,338.72 crore. Power, Irrigation & Flood control, and Social Services accounted for the major amount of the capital outlay.



*IB-Thermal Electrical Project
at Banharpali, Jharsuguda*

**55th Budget: 1990-91; 56th Budget: 1991-92;
57th Budget: 1992-93; 58th Budget: 1993-94;
59th Budget: 1994-95**

The financial position of the State had been worrisome. Deficits kept mounting year after year. The budgets presented during this period, endeavored to strengthen the collections from tax and non-tax sources as far as practicable. Further, the budgets also reflected the aspirations of the common people of Orissa, especially the poor farmers, labourers, industrial workers and women.

The **fifty-fifth** budget significantly hiked the allocation towards measures taken for flood control, and protection and maintenance of embankments. The budget dealt with the woes and financial troubles of the farmer in detail. It provided for farmer pension to destitute farmers above the age of sixty years. The Rural Development

Department was created towards promoting economic and social upliftment of rural areas. The Public Grievance Department was created for redressal of grievances of the public. The Department of Parliamentary Affairs was created for planning and coordination of the legislative and other business of the Orissa Legislative Assembly. This department was also expected to ensure effective liaison between State Legislative Assembly and the Cabinet.



*Inauguration of Orissa Tribal
Legislators' Council by then CM
Shri Bijayananda Patnaik.
Source: The Samaja*

Besides, the budget waived off various agricultural loans provided for expansion of agro-based industry and cold storage facilities, integrated various forest related corporations under a single authority named 'State Forest Development Corporation' expedited the completion of all hydro-electric projects, earmarked funds for various new irrigation projects, encouraged fisheries and animal husbandry, made extensive amendments to the Industrial Policy, considered setting up a gemstone industry with assistance from the United Nations Development Programme, and finally made significant strides in the improvement of health services and education.

The Government launched a Rs. 2 per kg rice scheme with an objective to provide for food security, by ensuring adequate quantity of rice at an affordable price to every family below poverty line (BPL) along with some other categories from the State's Backward Regions.

The budget introduced tender-cum-auction system for raising excise revenue. The Government declared that no additional liquor shops would be opened in the State henceforth. The budget also provided for an unemployment allowance so that the educated unemployed would no longer have to depend on their parents for sundry expenses.

Justice Ranganath Misra was sworn in as the 21st Chief Justice of Supreme Court of India.

The **fifty-sixth, fifty-seventh and fifty-eighth** budgets lay out various symbolic programmes. The minimum wages were raised to Rs. 25 per day. Monthly old age pension for handicapped and widows were increased to Rs.100 and the age limit for widow pensioners was withdrawn. Various new financial schemes for small and marginal farmers and landless labourers were adopted, and financial assistance was provided to the poor through Kalinga Kutir Yojana. Mahila Vikash Nigam, Mahila Cooperative Banks and a State Commission for Women were established. Further, 30 per cent reservation for women was allotted for posts in the Government Services.

The budgets also advocated the decentralization of power through elections to Panchayati Raj and Urban Local Bodies, reorganization of districts for efficient administration, and reorganization of Panchayat Samiti and the Grama Panchayats. A Special Scheme was formulated towards empowering Orissa to become an energy surplus state. Construction of five steel plants and two alumina plants were underway. Funds were earmarked for development of Paradeep Port and upgradation of the Gopalpur port.

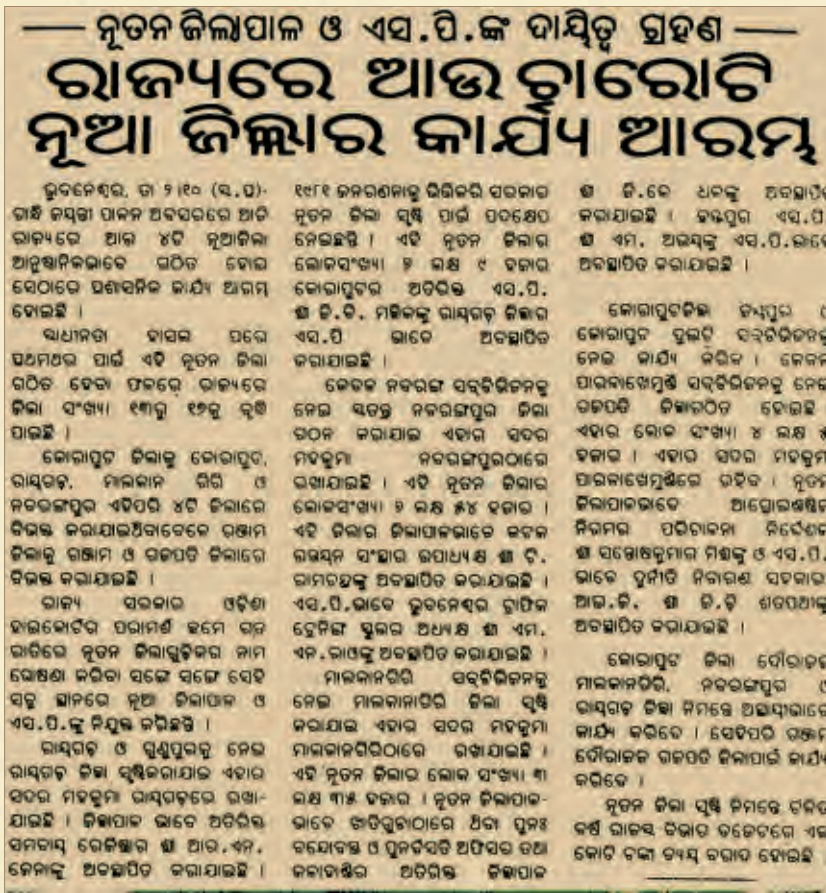
This period marked the loss of great human lives as eminent litterateur Shri Kalindi Charan Panigrahi, freedom fighter Shri Rajkrishna Bose, and the distinguished singer Shri Balkrishna Das breathed their last.

The fifty-ninth budget endeavored to accelerate all round development of rural areas, create a market friendly environment for investments by strengthening basic infrastructure of the State and restructure the State finances to restore the fiscal balance.

Keeping in pace with preceding budgets the fifty-ninth budget continued to emphasize on rural development, expansion of the already enforced ‘Total Literacy Campaign’ and other programmes alike.

Additionally, the budget provided funds for developing a city forest in Bhubaneswar, a project for control of blindness in association with the World Bank, increasing provision of housing facilities for low-paid government employees, and restructuring the power sector with the assistance of the World Bank for the development of the power sector.

The budget declared a complete ban on manufacturing as well as trade of country liquor in the State. Although this move would have led to an estimated revenue loss of about Rs. 40 crore during 1994-95, the Government’s resolve to free the disadvantaged sections from all forms of exploitation was unshakable.



4 new districts of Orissa were created in 1992.
Source: The Samaja

Similipal Reserve Forest was declared a ‘Biosphere Reserve’ in 1994, as per the Man and Biosphere programme of UNESCO, with the objective of bringing the people, domestic cattle along with the Forest & Wildlife into one fold of management. It aimed to improve the economic condition of people through eco-development programmes, and reduce their dependency on forests.


ନୂତନ ଜିଲ୍ଲା ଉତ୍ପାଦନ

ସଂସାଧନିକ ଦକ୍ଷତା ବୃଦ୍ଧି ଓ ଜନସାଧାରଣଙ୍କୁ ସଂସାଧନର ସମ୍ମିଳିତ କରିବା ଉଦ୍ଦେଶ୍ୟରେ ଓଡ଼ିଶାରେ ଜିଲ୍ଲା ପୁନର୍ଗଠନର ଆବଶ୍ୟକତା ଦୀର୍ଘଦିନ ଧରି ଅନୁଭୂତ ହେଉଥିଲା ।

ଗତ ଅକ୍ଟୋବର ମାସରେ ଗଜପତି, ବାଲୁଗଡ଼ା, ନବରଙ୍ଗପୁର ଓ ମାଲକାନଗିରି ଜିଲ୍ଲା ଗଠନ କରାଯାଇଥିଲା । ୧୯୯୩, ଅପ୍ରେଲ ପହିଲା ତାରିଖଠାରୁ ଅନ୍ୟ ଜିଲ୍ଲାଗୁଡ଼ିକର ପୁନର୍ଗଠନ ତଦାୟିତ ବୋଲି ଘୋଷଣା କରାଯାଇଥିଲା । ସୁଖ୍ୟମନ୍ତ୍ରୀ ଶ୍ରୀ ବିଜୁ ପଟ୍ଟନାୟକ ନିମ୍ନୋକ୍ତ କାର୍ଯ୍ୟକ୍ରମ ଅନୁଯାୟୀ ଏହି ଜିଲ୍ଲାଗୁଡ଼ିକ ଉତ୍ପାଦନ କରିବେ ।

<p>୧.୪.୯୩ ବଜାଜ ୧୦୧ ଘୋଟପୁର ଜିଲ୍ଲା ବଜାଜ ୧୦.୨୫ ଚରପଡ଼ା ଜିଲ୍ଲା ବଜାଜ ୧୧.୪୫ ନୂଆପଡ଼ା ଜିଲ୍ଲା ୨.୪.୯୩ ବଜାଜ ୧୦୧ ଅନୁଗୁଳ ଜିଲ୍ଲା ଅପରାଜିତା ନୟାଗଡ଼ ଜିଲ୍ଲା</p>	<p>୩.୪.୯୩ ବଜାଜ ୮.୪୫ ଭଦ୍ରକ ଜିଲ୍ଲା ବଜାଜ ୧୦.୧୫ ଯାଜପୁର ଜିଲ୍ଲା ବଜାଜ ୧୧.୩୫ ବେଢ଼ାପଡ଼ା ଜିଲ୍ଲା ଅପରାଜିତା ୩.୦୫ କରକଟକ-ଡ଼ାଲୁଆ ଜିଲ୍ଲା</p>
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ଏହାବ୍ୟତୀତ ଅପ୍ରେଲ ପହିଲା ତାରିଖ ତିନି ଖୋର୍ଦ୍ଧା ଜିଲ୍ଲା ମଧ୍ୟ ଉତ୍ପାଦିତ ହେବ । ଜିଲ୍ଲାଗୁଡ଼ିକ ପୁନର୍ଗଠନ ପାଇଁ ଓଡ଼ିଶା ସରକାରଙ୍କର ନିଶ୍ଚିତ ଜନସାଧାରଣଙ୍କ ଆଶା ଓ ଆକାଂକ୍ଷା ପରିପୂର୍ଣ୍ଣ ନିମନ୍ତେ ଏକ ବୈପ୍ଳବିକ ପଦକ୍ଷେପ ।



10 more districts of Orissa were created in 1993.
Source: The Samaja

Government floated 'Steel Bonds' to raise a sum of Rs.130 crore for financing the State Plan for the year 1994-95. The amount raised through this was proposed to be utilized for the development of infrastructure facilities for New Steel Plants.

With a view to increase efficacy of public service delivery, thirteen new districts were carved over 1993-94. The budget earmarked funds for necessary infrastructural support for administration set ups in these new districts.

The 55th to 59th Budgets were presented in 1990-91, 1991-92, 1992-93, 1993-94 and 1994-95 respectively. The corresponding total expenditure for these years was estimated at Rs.4,093.23 crore, Rs.4,727.47 crore, Rs.5,155.5 crore, Rs. 5,529.86 crore and Rs.6,433.88 crore respectively.



3 new districts of Orissa were created in 1994.
Source: The Samaja

**60th Budget: 1995-96; 61st Budget: 1996-97;
62nd Budget: 1997-98; 63rd Budget: 1998-99**

A new Government came to power in the backdrop of great strain on the Exchequer of the State. The reduction in receipt of shared tax, the striking down of the Orissa Rural Employment, Education and Production Act, ban on the sale of country liquor, non-availability of mid-term loan from Government of India, and reduction in receipt of additional Central Assistance on account of Externally Aided Projects added to the woes of State's coffers.

Nevertheless, the budget emphasized on strengthening the State's infrastructure, creation of adequate employment opportunities, and implementation of the social security measures.

Apart from following the development trajectory charted by earlier budgets of the time, the **sixtieth** budget – initiated a scheme under the name 'The Orissa Incentive Scheme' for re-payment of cooperative loans, increased the allocation to the Panchayati Raj Department for implementation of various schemes like Jawahar Rojgar Yojana, Employment Assurance Scheme, etc., earmarked funds for opening 500 new primary schools. A World Bank assisted new Externally Aided Project named 'Water Resources Consolidation Project' was being deliberated. Further, the budget introduced the Mid-Day Meals Scheme to reduce malnutrition and drop-outs in schools.

In 1995, when Indonesia was celebrating its 50th Independence Day, Shri Bijayananda (Biju) Patnaik was awarded their highest national award, the 'Bintang Jasa Utama'.¹³⁴

The **sixty-first**, **sixty-second** and **sixty-third** budgets stressed on strengthening the State's infrastructure. This was an effort towards creation of an environment conducive for private investment in different sectors. Further, a scheme to provide improved variety of

¹³⁴ J. M. Ansari, "The Hero in Winter". *India Today*, 15 September 1995.

agricultural implements at a concessional rate of 50 per cent to small and marginal farmers was proposed. The Government of Orissa declared a 'State Agricultural Policy' in 1996, to strengthen agriculture sector. Propositions for revival of Co-operative institutions of the State were made.

In 1996, Nabakalebara Festival, the periodical renewal of the wooden idols of Lord Jagannath, Balabhadra, Subhadra and Sudarshan, was celebrated in Puri.

Shri Bijayananda (Biju) Patnaik, adventurer, aviator, businessman, an Odia icon, and former Chief Minister, breathed his last on 17th April 1997.

Soon after, in 1998, the editor of 'Samaja' Shri Radhanath Rath, and social worker Malati Choudhury passed away.

Kalinga Stadium was inaugurated at Bhubaneswar in 1998.

To facilitate industrial development and to tackle the unemployment problem, various initiatives were taken on behalf of Industries Department. Land was allotted for the establishment of an agro-complex at Deogarh. Five



*Kalinga Stadium
Bhubaneswar*

sugar industries were proposed to be set up and establishment of Agro-based Industries was prioritized. The Project Approval Committee approved seven food processing units through the aegis of Orissa Small Industries Corporation. Finally, the revival of sick industries was proposed with the help of OSFC and IPICOL.

The 60th to 63rd Budgets were presented with the prime focus on rural development in 1995-96, 1996-97, 1997-98 and 1998-99, respectively. The total expenditure for these years was estimated at Rs.6,802.69 crore, Rs.7,390.59 crore, Rs. 8,468.3 crore, and Rs.10,515.66 crore respectively.

During this period, the budgets focused on Power Sector and Irrigation & Flood Control.

64th Budget: 1999-2000

Constant rise in salary, pension and interest payment liabilities contributed to the increase of Revenue Expenditure, thereby worsening the Revenue Deficits. The Government had to resort to more borrowings in order to overcome the revenue deficit instead of using loans for capital spending. This necessitated urgent fiscal reforms.

With regard to agriculture, the **sixty-fourth** budget emphasized horticulture programmes, enhancement of irrigation facility with assistance of World Bank, NABARD and the Accelerated Irrigation Benefit Programme (AIBP) of the Government of India. As regards health services, a new system of treatment 'Panchabyadhi Chikitsa Paddhati' was introduced in the hospitals for the treatment of serious diseases like malaria, leprosy, respiratory disease, scabies and diarrhoea. The budget provided funds for setting up multiple new colleges, a scheme for providing nutritious food to pregnant women, protection of forest, plantation and preservation of wild life, implementation of rural pipe water supply projects, and for constitution of a 'Panchayat Surakhya Samiti' in each Panchayat and 'Sahara Surakhya Samiti' in each ward of the towns for reducing the rate of crime by involving the citizens in the process.

Orissa Entry Tax was implemented in 1999, to provide for levy and collection of tax on the entry of goods into the local areas of the State, for consumption, use or sale therein.

to build the State came undone. The disaster spelled catastrophe on the already-strained finances of the State, leaving an indelible scar in the annals of Orissa's history. It would be long before "normalcy" returned to the State and its people.

As the world fervently looked forward to the beginning of a new millennium, Orissa looked forward to a fresh start. The dawn of the new millennium was certainly a milestone – a challenging one at that. Times were taxing. Relief, Rehabilitation and Reconstruction of the State came to the fore of all Government endeavors.

The successive governments transformed the challenge into an opportunity; turning around the shadow the disaster had cast on the State. In the pursuit of rebuilding the State plenty new capital building projects – physical, social and human – were set into motion. It is perhaps in this light that the Budget stands out as an instrument of change. The budgets of the new millennium mirror the transformation that was brought about in the State; they reveal how the Government has responded in the face of the challenges that came their way. These reflect improved fiscal discipline, resource allocation, certainty of funding, along with wider economic and social enterprise such as poverty reduction and more efficient public investment. The emphasis of the budgets has been on inclusive growth and balanced development.

**65th Budget: 2000-01; 66th Budget: 2001-02;
67th Budget: 2002-03; 68th Budget: 2003-04**

The year 1999 left an indelible scar on the history of the State. A super cyclone ravaged the State, causing great destruction to human lives and property. Before the State could recover from the damage caused by the cyclone, a drought situation ensued. Frequent occurrence of natural calamities weakened the financial condition of the State. The fiscal situation of the State was worrisome.

In this backdrop, for the year 2000-01, first a Vote-on-Account budget was presented, and consequently the **sixty-fifth** budget was laid before the House. In the wake of financial crisis of unprecedented nature, resources from the unproductive sectors were conserved through enforcing fiscal discipline and cutting down non-plan unproductive revenue expenditure. Attempts were also made to enhance resources from State's own tax and non-tax revenues.

The criticality in the fiscal situation was pronounced because the State was borrowing to repay the principal and interest. This resulted in a fragile fiscal situation.

Nevertheless, efforts were made to transform Orissa into an industrially advanced state. Steps were also taken to implement single window system to encourage establishment of new industries, especially agro-based and mineral-based industries in the State with the aim of utilizing agricultural produce and minerals efficiently.

Orissa State Tax on Professions, Trades, Callings and Employments Act was introduced in 2000.

The foundation stone of Indian Oil Refinery at Paradeep was laid on 24th May 2000.

The Second World Oriya Conference was held at Rourkela in 2000.

A period of acute drought and severe floods ensued in the State.



*Foundation stone laying ceremony of the Indian Oil Refinery at Paradeep.
Source: The Samaja*

Subsequently, the **sixty-sixth** budget acknowledged that the heavy burden of salary, pension and debt servicing liabilities, had aggravated the financial condition of the State. In order to ensure developmental work under State Plan, the State Government conserved resources from the unproductive sectors through enforcing fiscal discipline

and pruning down unproductive non-plan revenue expenditure. Attempts were also made to enhance resources from state own tax and non-tax revenue. Despite difficult and complicated financial situations, the Government did not shy away from implementing important and necessary welfare programmes. Some of these were – empowerment of Pani Panchayats for management, maintenance, regulating water supply and collection of water rate. Besides, monthly allowances for the physically handicapped was also increased. Establishment of 2000 Primary Schools, and pensions to poor artists, artisans and freedom fighters were other initiatives. The budget also proposed the preparation of a Citizen's Charter to provide citizens the minimum basic information about their rights and various welfare programmes.

The budget ended with a prayer to the almighty, soliciting the cooperation, support and sincere good will to help tide over the disastrous financial situation and for pushing forward the chariot of development of the State.

“Tamsa Ma Jyotirgamaya, Mrutyorma Amrutam Gamaya”

A mega-flood swept across the State in July 2001, burdening the already strained State's finances. Meanwhile, a Medium-Term Fiscal Plan had been worked out with the Government of India as per the recommendations of the Eleventh Finance Commission and accordingly an MoU was signed on 11th October 2001. The MoU elaborately dealt with the measures for reduction of revenue expenditure and increasing State's revenue. The unaffordable staff strength of the State Government was to be slashed by 20 per cent.

The **sixty-seventh** budget outlined that on account of revenue expenditure compression and revenue generation measures, the revenue deficit in the State was on the decline. The budget assured that the net resources generated therein were to be invested in poverty reduction and long term development programmes. Keeping that notion at the core, the budget emphasized on several measures

Fortune Towers by IDCO, an Information and Technology park at Bhubaneswar



to strengthen agricultural productivity -towards making Orissa one of the leading States in India in agricultural production. Further, afforestation programmes in the KBK districts, measures to tackle infant mortality, funds towards constitution of Women's Self Help Groups (Mission Shakti) towards empowering women, funds for opening of 100 ayurvedic and 100 homeopathic dispensaries in the State.

Fortune Towers, an IT - specific project of IDCO was inaugurated in 2002.

The website of the Government of Orissa was launched on 15th August 2002, to bring about qualitative improvement in dissemination of information to people.

The **sixty-eighth** budget emphasized agricultural entrepreneurship, horticulture for self-employment, setting up of an agri-export zone, augmenting the irrigation potential, constitution of Vana Samrakshan Samitis for involvement of people in protection and management of forests, the Forestry Sector Development Programmes assisted by the Japan Bank for International Cooperation, funds for improvement of infrastructure for upgradation of cattle stock, funds for Orissa Health System Development Project, and upgradation of Primary Health Centres. Further, a provision of setting up of a State Biotechnology Board was mentioned. Special Economic Zones (SEZ), one at

Paradeep and the other at Gopalpur, were to be set up. The budget stressed on the importance of tourism for the State and allocated substantial funds towards development of tourism infrastructure. Janakinath Bhawan at Cuttack was to be developed as 'Netaji Birth Place Museum'. Lastly, propositions for construction of flyovers in the highly congested twin cities of Bhubaneswar and Cuttack were also listed.

The budget highlighted the Government's intention to create 1 lakh additional jobs in the ensuing year. For the integrated development of Scheduled areas and Scheduled Tribe people, a programme named 'Orissa Tribal Empowerment and Livelihood Programme (OTELP)', was launched in 30 tribal blocks of Koraput, Rayagada, Malkangiri, Nawarangpur, Kalahandi, Gajapati and Kandhamal districts with the assistance from International Fund for Agricultural Development (IFAD), Department for International Development (DFID) and World Food Programme (WFP). The programme was expected to empower the tribals and enable them to enhance their food security, to increase their income and improve overall quality of their livelihood.

In accordance with the consensus reached among all states, the existing Sales Tax was to be replaced by a Value Added Tax (VAT). The budget envisaged that introduction of VAT in all the states would help in creating a unified market in the entire country.

The 65th to 68th Budgets were presented in 2000-01, 2001-02, 2002-03 and 2003-04 respectively. The corresponding total expenditure for these years was estimated at Rs.13604.58 crore, Rs.14768.73 crore, Rs.15665.08 crore, and Rs.16863.33 crore respectively. Measures were taken to improve the quality of public expenditure, outlay and outcome. The expenditure policy measures included reduction of unproductive revenue expenditure, restructuring of PSUs, Corporations and Cooperatives and enhancement of capital expenditure in all sectors.

The emphasis of the budgets over this period has turned from Housing and Urban Development, to Works, Rural Development and Water Resources, before eventually settling on the Irrigation Sector.

**69th Budget: 2004-05; 70th Budget: 2005-06;
71st Budget: 2006-07; 72nd Budget: 2007-08;
73rd Budget: 2008-09**

The **sixty-ninth** budget concerned itself with the restructuring of finances in a significant way. The State Government had fared well in containing the revenue deficits in the preceding few years and therefore, had been awarded the Fiscal Incentive Grant for the years 2000-01, 2001-02 and 2002-03. Among other things mentioned in the budget, the Accelerated Female Literacy Programme, strengthening connectivity in KBK districts, establishment of a new battalion in Sundargarh to address naxalite issues, a 'Market, Road & Water' programme under the Panchayati Raj Department for the construction of shop houses and their subsequent transfer to the ST & SC unemployed youth.

Towards efficient fiscal management, the State had taken several measures in order to reduce cost of debt, debt-burden and non-plan expenditure in unproductive activities.

Padmashree Award was conferred on Shri Dilip Tirkey, Shri Maguni Charan Das and Shri Manoranjan Das in 2004, for their distinguished services in their field of activities.

The **seventieth** budget endeavoured to prioritize outlay for completion of incomplete projects; socio-economic upliftment of the tribal, harijan and backward classes; enhancement of social security cover for women, children, senior citizens and physically handicapped; expansion and development of irrigation, agriculture and allied activities; health service and health infrastructure; and development of tourist infrastructure, information and technology, biotechnology, port infrastructure and mineral based industry.

The essence of this budget was captured and summarized in the words quoted by the Great Roman Thinker Cicero –

“The Budget should be balanced, the treasury should be refilled, public debt should be reduced, the arrogance of officialdom should be tempered and controlled and assistance from foreign lands should be reduced lest the State become bankrupt. The people should be forced to work and not depend on Government for subsistence”.

***THE ORISSA FISCAL RESPONSIBILITY AND BUDGET
MANAGEMENT ACT, 2005**

AN ACT TO PROVIDE FOR THE RESPONSIBILITY OF THE STATE GOVERNMENT TO ENSURE PRUDENCE IN FISCAL MANAGEMENT AND FISCAL STABILITY BY PROGRESSIVE ELIMINATION OF REVENUE DEFICIT AND SUSTAINABLE DEBT MANAGEMENT CONSISTENT WITH FISCAL STABILITY, GREATER TRANSPARENCY IN FISCAL OPERATIONS OF THE GOVERNMENT AND CONDUCT OF FISCAL POLICY IN A MEDIUM TERM FISCAL FRAMEWORK AND FOR MATTERS CONNECTED THEREWITH OR INCIDENTAL THERETO.

Orissa Fiscal Responsibility and Budget Management Act, was enforced on 14th June 2005 to create additional fiscal space for financing higher expenditure in developmental sector.

The consequent budgets were presented with the objective of improving the financial position of the State and to manage it in a disciplined and prudent manner.

Measures were taken to boost the collection of State’s own-tax and non-tax revenue. VAT was introduced on 1st April 2005. It was expected that VAT would improve tax compliance and increase revenue. A Mining

The Orissa  Gazette

EXTRAORDINARY

PUBLISHED BY AUTHORITY

NO. 539, CUTTACK, THURSDAY, MARCH 31, 2005/ CHAITRA 10, 1927

FINANCE DEPARTMENT

NOTIFICATION

The 31st March, 2005

S.R.O.No. 198/2005 — In exercise of the powers conferred by sub-section (3) of section 1 of the Orissa Value Added Tax Act, 2004 (Orissa Act 4 of 2005), the State Government do hereby appoint the 1st day of April, 2005 as the date on which the said Act shall come into force.

[No.15231-CTA-82/2002(Pl.II)-F]
By order of the Governor

K.C. PARIJA
Deputy Secretary to Government

The Orissa Gazette
notification on the Value
Added Tax

रजिस्ट्री सं. डी. एल.-33004/99

REGD. NO. D. L.-33004/99

भारत का राजपत्र
The Gazette of India

असाधारण
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वित्त मंत्रालय
 (आर्थिक कार्य विभाग)
 (ईसीपी एनड पीआर प्रभाग)
 अधिसूचना
 नई दिल्ली, 22 दिसम्बर, 2003

फा. सं. 5/7/2003-ईसीपी एनड पी आर.—सरकार ने दिनांक 23 अगस्त, 2003 को परिभाषित लाभ पेंशन प्रणाली को मौजूदा प्रणाली को हटाने हुए, प्रथम चरण में केन्द्र सरकार की सेवा में आने वाले नए प्रवेशकर्ताओं जिनमें सरासरी बल शामिल नहीं हैं, के लिए एक नई पुनर्संरचित परिभाषित अंशदान पेंशन प्रणाली को शुरू करने संबंधी वर्ष 2003-2004 की बजट घोषणा को क्रियान्वित करने का प्रस्ताव अनुमोदित किया।

*The Gazette of India
 notification on the
 Defined Contributory
 Pension Scheme*

Cess was also introduced. The objective of the Cess was to mobilize additional resources for the development of infrastructure, promotion of education and socio-economic development in the rural, backward and mineral bearing areas.

A Contributory Pension Scheme was introduced with effect from 1st January 2005. This was a part of the Fiscal Reform Process in the State.

The Edu-Sat project was inaugurated in 2005. Edu-Sat (G-Sat) is the first Indian satellite built exclusively for serving the educational sector. It was mainly intended to meet the demand for an interactive satellite based distant education system.

The Right to Information Act was implemented in the State along with the constitution of the State Information Commission on the 20th October 2005.

The seventy-first budget outlined the recommendations of the Twelfth Finance Commission with the objective of balancing the receipt and expenditure on revenue account and also to generate surplus for capital investment.

Besides, the Government made provisions for development of marine and inland fishing, a new scheme 'Navajyoti' for implementing the Child Death Reduction Mission, maintenance and repair of Rabindra Mandap, Bhanjakala Mandap, Sanskruti Bhawan, etc., modernization of Jails, completion of Orissa Complex at Mumbai, construction of Reserve Police Office and District Police Office Buildings and residential building for first India Reserve (IR) battalion. The Government continued to prioritize schemes like Mid-day Meal Programme, Special Nutrition Programme and Mission Shakti (for women SHGs).

The budget envisaged, in the context of education, opening a new school or appointing a new teacher is an output and reduction in the rate of illiteracy is an outcome. The budget also emphasized on linking the outlay to outcome in order to trace the proper utilization of funds, and to provide high quality effective services to the citizens.

Several expenditure rationalization and revenue augmentation measures along with other fiscal reform programmes had resulted in revenue surpluses in the State 2005-06 onwards. In 2006-07, the State became a fiscal surplus State for the first time.

The portrait of the legendary leader Shri Biju Patnaik was installed in the Parliamentary Museum and Archives on 5th December 2006.

A new initiative - Gopabandhu Gramin Yojana was launched during 2006-07 with a view to provide additional development assistance to the targeted eleven districts of the State not covered under the Backward Regions Grant Fund (BGRF).

The Biju KBK Yojana was launched to supplement the efforts under the Revised Long Term Action Plan (RLTAP) in accelerating the pace of development in the KBK Region.

The foundation stone of the new campus of Fakir Mohan University was laid at Nuapadhi in Balasore on 31st July 2006.

Fakir Mohan University
Balasore





*Foundation stone of National Institute of Science and Education Research Centre laid at Bhubaneswar.
Source: The Samaja*



Foundation stone laying ceremony of International Institute of Information Technology at Bhubaneswar

The foundation stone of the National Institute of Science Education and Research (NISER) in Bhubaneswar was laid on 28th August 2006.

On 15th November 2006, the century-old Ravenshaw College at Cuttack was accorded the status of a University. The International Institute of Information Technology, Bhubaneswar was established by the Government of Orissa in 2006. It was the result of the desire of the government to establish a world class institute of Information Technology in the State.

The Golden Jubilee of the University College of Engineering, Burla was celebrated in 2006.

For the year 2007-08, first a Vote-on-Account Budget was presented in March and the full-fledged seventy-second budget was presented four months later. Through the expenditure rationalization and

revenue augmentation measures, improvement in delivery system and proper utilization of limited resources, the State achieved perceptible improvement in fiscal management. The revenue deficit had been completely eliminated much before the financial year of 2008-09 which was the target set by the Medium Term Fiscal Plan. The State registered remarkable improvement in resource mobilization.

Among various schemes and allocations outlined in the budget, a few notable were the allocations towards the Micro Irrigation Programme, Accelerated Irrigation Benefit Scheme, Biju Gram Jyoti Scheme - to ensure “electricity to all” through the electrification of villages/habitats having a population less than 100 and those not covered under Rajiv Gandhi Grameen Vidyutkaran Yojana (RGGVY), Biju KBK Yojana – towards development projects in the KBK districts, Gopabandhu Gramin Yojana for the additional development assistance to the targeted 11 Districts not covered under the Backward Region Grant Fund, Intensive Mineral Exploration and Assessment of Mineral Resources, and additional provisions for ‘e-governance’.

The budget significantly hiked the allocations to programmes introduced in earlier budgets, like TRIPTI – for poverty eradication, National Rural Employment Guarantee Scheme, Indira Awas Yojana, National Family Benefit Scheme, Emergency Feeding Programme and Sarba Sikhya Abhijan.

Orissa Treasury Management System (OTMS) had been implemented in June 2005 with DFID assistance. The system was put in place to computerize all Treasuries, Special Treasuries and Sub-Treasuries in phases and link them to the main computer system in the Directorate of Treasuries. Hence, no bill could be passed without allotment. This would lead to prevention of excess expenditure incurred beyond budgetary provision.

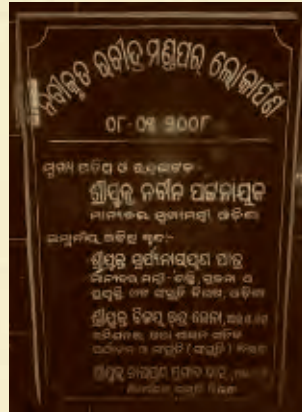
The Tableau of Orissa represented in the Republic Day – 2007 at New Delhi was adjudged as the best in the whole country.

On 17th October 2007, a special session of the Assembly was convened at Sardar Patel Hall, Bhubaneswar to commemorate the 150th year of the Sepoy Mutiny, 1857 War of Independence.

The **seventy-third** budget declared the year 2008-09 as the 'Irrigation Year', ensuring extensive irrigation of the non-irrigated areas in the State. Other symbolic allocations in the budget worth mentioning are those towards Rural Infrastructure Development, 'Jeebika' (watershed programmes) under 'Orissa Rural Livelihood Programme', 'Jalanidhi', management of Acid Soil, installation of lift irrigation points, renovation and establishment of Block level nurseries, revival of short term cooperative credit institutions, Crop Insurance, establishment of a Mega Food Park, an Integrated Textile Programme, new Industrial Estate for Ancillary Industries, establishment of a Craft Village, improvement of Salt Industries, establishment of Freedom Fighter Gallery in the State Museum, renovation of Toshali Plaza, Bio-medical Waste Disposal Management, pensions for Talaki Muslim Women, 'SUCCESS' - for establishment of new model school, development of infrastructure of high school and to provide incentive to girl students, 'Kasturiba Gandhi Balika Vidyalaya' programme, 'Jaladhara' scheme, 'Samuka' scheme, and the inclusion of additional beneficiaries under Madhubabu Pension Scheme which clubbed the State Old Age Pension Scheme and the Orissa Disability Scheme.

Keeping in sync with preceding budgets, construction of roads, buildings, expansion of health care infrastructure, creation of favourable environment for establishment of heavy industries, improvement in Vocational and Technical Institutions on Public Private Partnership basis, etc. were given due emphasis.

In 2008, the Government decided to implement a New Agriculture Policy. The policy was contemplated to be futuristic, flexible enough to anticipate and address emerging trends, identify potential areas for development and chalkout a clear agenda for agricultural development for atleast ten years.



Renovated Building of Rabindra Mandap at Bhubaneswar

The renovated building of Rabindra Mandap was inaugurated on 8th March 2008.



Inauguration of Indian Institute of Technology at Bhubaneswar

The Indian Institute of Technology Bhubaneswar was established on 22nd July 2008 under the mentorship of IIT Kharagpur.

The 69th to 73rd Budgets were presented in 2004-05, 2005-06, 2006-07, 2007-08 and 2008-09 respectively. The total expenditure for these years was estimated at Rs.19,699.91 crore, Rs.18,464.20 crore, Rs.19,553.58 crore, Rs.23,511.59 crore, and Rs.27,948.49 crore respectively. State Government gave priority and importance to the development of Agriculture, Irrigation, Rural Development, Poverty Eradication and Infrastructure Development. Capital expenditure was increased in all sectors.

The emphasis of the budget was on Irrigation & Flood Control, Women & Child Development, School and Mass Education and Civil Works.

**74th Budget: 2009-10; 75th Budget: 2010-11;
76th Budget: 2011-12; 77th Budget: 2012-13;
78th Budget: 2013-14**

Despite the limited scope of raising revenues as necessary for the development of the State, the successive Governments were relentless in their resolve for the progress of advancing the State. Development of education, improvement in the quality of health services, development of agriculture and allied services, expansion of irrigation, improvement of water supply and sanitation services, development of infrastructure and welfare of the aged, disabled persons, women, SCs and STs and other weaker sections of the society were pursued on priority basis, budget after budget.

The prudent efforts of the Government on sustained basis resulted in sound and sustainable State Finances. Debt Stock of the State had been reduced after a long gap of 61 years. The State's capital expenditure was on the rise. Poverty ratio declined steeply.

The **seventy-fourth** budget highlighted – the implementation of the 'State Agriculture Policy, 2008', maintenance of critical flood control and anti sea erosion works, establishment of the OCAC Incubation Tower, implementation of e-smart Panchayat, modernization of Police organization, establishment of a Special Operation Group for maintaining law and order situation, provision of cycles to school going SC and ST girl students, and establishment of a Doppler Weather Radar Station for establishing an advance warning system, etc.

The budget continued to engage in the programmes introduced in the past, like 'Mo Kudia Yojana', 'Madhu Babu Pension Yojana', 'Biju KBK Yojana', 'Gopabandhu Gramin Yojana', 'Biju Grama Jyoti Yojana' and 'provision of rice at Rs. 2 per Kg'.



Central University of Orissa



National Law University Orissa

Central University of Orissa was established at Koraput, by the Parliament under the Central Universities Act, 2009. National Law University Orissa (NLUO), an autonomous law university, was established in 2009 at Cuttack. In this year the 15th National Youth Festival was organized at the Kalinga Stadium, Bhubaneswar.

The seventy-fifth budget spelled out the recommendations of the Thirteenth Finance Commission in detail. The 'State Specific Need' Grant therein allocated funds towards eco-restoration of Chilika Lake, construction of anganwadi centres, upgradation of health infrastructure, incentive grant for development and upgradation of power sector distribution system, police training, upgradation of Jails, preservation of monuments & Buddhist heritage, upgradation of fire service and establishment of market yards at the block level.

The budget expounded that the main motive was to accelerate the growth process while making it socially more inclusive. The important developments mentioned in the budget were – a new scheme for utilizing the ground water in drought prone areas, interest subventions for agricultural loans, a scheme for Genetic Upgradation of Small Animals, Japan International Cooperation Agency (JICA) assisted Orissa Forest Sector Development Project, establishment of Sambalpur University Institute of Information Technology (SUIIT) in the line of IIITs, Infrastructure Development of ITI and capacity expansion of vocational training in the State, proposition for a tie up with Fab India to increase the visibility of Orissa Handlooms, establishment of National Institute of Fashion Technology (NIFT), Orissa State Wide Network (OSWAN) and Infrastructure for State Data Centre, incentivizing issue of Unique Identification, 'Annapurna' Scheme, etc.

Towards making Public Expenditure more productive and effective, the Annual Maintenance Plan for Operation & Maintenance was formulated by the respective administrative departments in consultation with Finance Department. The Cash Management System was introduced through Monthly Expenditure Plan and Quarterly Expenditure Allocation, as a part of reform measures to restore fiscal balance and fiscal space.



Inauguration of National Institute of Fashion Technology at Bhubaneswar

The budget sketched a picture of the impressive and rapid strides that the State was able to take in the past decade, admitting that there was a long way to go before catching up with the relatively developed states. It asserted that the gap could be bridged faster with collective action, rising above petty differences and sectarian interests. This prayer was portrayed in the budget, in the lines penned by the great poet Gangadhar Meher –

*The Gazette of India notification
on the change of name of the
state Orissa to Odisha*

*“Brothers until we merge
Our million lives into one
Misery will be our destiny,
Every thirsty,
We will keep gazing
At the spring”*

भारत का राजपत्र
The Gazette of India

असाधारण
EXTRAORDINARY
भाग II — खण्ड 1
PART II — Section 1
अधिकार से प्रकाशित
PUBLISHED BY AUTHORITY

सं. 20] नई दिल्ली, शुक्रवार, सितम्बर 23, 2011/ अश्विन 1, 1933 (शका)
No. 20] NEW DELHI, FRIDAY, SEPTEMBER 23, 2011/ASVINA 1, 1933 (SAKA)

इस भाग में विभिन्न पृष्ठ संख्या दी जाती है जिससे कि यह अलग संकलन के रूप में रखा जा सके।
Separate paging is given to this Part in order that it may be filed as a separate compilation.

MINISTRY OF LAW AND JUSTICE
(Legislative Department)
New Delhi, the 23rd September, 2011/Asvina 1, 1933 (Saka)

The following Act of Parliament received the assent of the President on the 23rd September, 2011, and is hereby published for general information.

THE ORISSA (ALTERATION OF NAME) ACT, 2011
No. 15 of 2011 [23rd September, 2011.]

An Act to alter the name of the State of Orissa.

Enacted by Parliament in the Sixty-second Year of the Republic of India as follows:—

1. (1) This Act may be called the Orissa (Alteration of Name) Act, 2011.
(2) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

2. In this Act, unless the context otherwise requires,—

(a) “appointed day” means the date appointed under sub-section (2) of section 1 for the coming into force of this Act;

(b) “appropriate Government” means, as respects a law relating to a matter enumerated in List I in the Seventh Schedule to the Constitution, the Central Government, and as respects any other law, the State Government;

(c) “law” includes any enactment, Ordinance, regulation, order, bye-law, rule, scheme, notification or other instrument having the force of law in the whole or any part of the State of Orissa.

The seventy-sixth budget credited the improvement in the fiscal condition of the State for providing necessary capacity for implementing developmental plans and programmes in the State. The budget underlined the creation of a State Viability Gap Fund, construction of ‘Prakruti Bhawan’, the ‘Mo Mashari’ Scheme in rural areas, ‘Rural Mathematics Talent Search Scholarship’, ‘Free Distribution of Cycles to the girl students of 10th Class’, renovation of ‘Balashrams’, establishment of an Advanced Plastic Processing Technology Centre, construction of Cyclone Shelters, establishment of Alternate Dispute Resolution Centres under the Law Department, operation of Morning/Evening Courts, allocations for State Level Talent Scouting, besides continuing various other ongoing schemes and programmes.

The budget proposed to extend Outcome Budgeting to eight more Departments in addition to the five already in place. To address the spiralling food inflation, the Government proposed to exempt Entry Tax on certain listed food items from 1st April 2011. With an amendment to the Orissa Gram Panchayat Rules, 1964, the reservation for women in Panchayat Raj bodies increased from 33 per cent to 50 per cent.

On 24th March 2011, Rajya Sabha passed the Bill to change the name of our state from Orissa to 'Odisha', and an amendment to the Constitution to rename Oriya language as Odia. On 1st November, 2011 the Government of India came out with the Gazette Notification on the passing of the Orissa (Alteration of name) Bill, 2010 and the Constitution (113th Amendment) Bill by the Parliament. The Gazette Notification mentioned that the change of names came into effect from 1st of November 2011. Orissa was renamed as "Odisha" and Oriya was renamed as "Odia".

Prior to the presentation of the **seventy-seventh** budget, a Pre-Budget Consultation meeting was organized. Discussions were organized with the cross section of civil society comprising economists, experts, representatives of the trade & industries, NGOs, representatives of farmers' organizations, trade unions, etc. The suggestions received were duly factored in when formulating the budget.

Apart from extending support to the programmes introduced earlier, the budget underscored – launching of 'Emergency Medical Ambulance Services', the 'Biju Gramin Swasthya Sibir Scheme' – to hold Health Camps in the inaccessible areas, 'MAMATA' scheme – for providing nutrition and health care support to pregnant and lactating women, creation of a new MSME department – to provide focussed attention on the MSME Sector, promotion of Handloom Industries and Sericulture, establishment of new Planetarium at Sambalpur, development of Biotechnology Laboratories in different institutions, construction of a Dance Museum and Modern Art Gallery, pensions towards Indigent Artists, etc.



*Emergency Ambulance Service '108'
announced by Odisha Government on
5th March, 2013*

*Hon'ble PM A.B. Vajpayee
laying the foundation stone
of AIIMS Complex at
Bhubaneswar*



The 'Programme Delivery and Outcome Monitoring Unit' was proposed to be set up in the Finance Department for ensuring objective and impartial assessment of outcome against outlay (Outcome Budget).

All India Institute of Medical Sciences was established as an autonomous institution at Sijua, Bhubaneswar in 2012.

On 25th April 2012, Odissi Guru Mayadhar Rout, Gopal Chandra Panda and eminent musicologist Nilamadhaba Panigrahi received the prestigious Tagore Akademi Ratna Award.

The budget was a carefully crafted document depicting balance between ensuring fiscal prudence and people's expectations. It was representative of the efforts taken by the Government to ensure the overall development of the State. It also admitted that the journey, however arduous, had to be sustained with devotion and determination. This notion was captured in the words of great poet Gangadhar Meher in the following lines -

“ ଉଠ ଭାଇ ଉଠ, ନବୀନ ଆଲୋକେ
ଶୋଇଥିଲେ ତାହି ହସୁଥିବେ ଲୋକେ
ଶୁଭ କର୍ମପଥେ ହୁଅ ଅଗ୍ରସର
ଚକ୍ଷୁ ମିଳିବାକୁ ନାହିଁ ଅବସର ।
ମାତୃଭୂମି ମାତୃଭାଷାର ବଦନ
ଦୀପ୍ତିକର ଦେଇ ଧନ ଧାନ୍ୟ ମନ । ”

Moving ahead, the year 2013-14 was a watershed moment in the history of Odisha Budgets. It was for the first time that the Annual Budget was presented in two parts: Part I-Agriculture Budget and Part II-General Budget. The rationale behind the formulation of a separate Agriculture Budget was that – Agriculture Sector in the State was still the “mainstay” of Odisha’s Economy. In this context the first Agriculture Budget alludes to the following words of Kautilya illustrated in his treatise “Arthashastra” –

“Cultivable land is better than mines because mines fill only the treasury while agricultural production fills both the treasury and the store houses”.

Agriculture is the backbone of the rural economy and livelihood. The architect of the nation, Pandit Jawaharlal Nehru had also laid emphasis on strengthening of agriculture in the historic words –

“Everything else may wait but not agriculture”.

Agriculture is the quintessence of all other activities. Agriculture is not just farming activity alone but a holistic value chain comprising of farming, whole-selling, warehousing, processing and retailing. The growth of agricultural productivity and farm income offers a virtuous cycle connecting expansion of farm activity to that of non-farm income opportunities in the rural areas. Therefore, the Agriculture Sector possesses great potential to create employment opportunities. At the outset of a declining contribution of the Agriculture Sector to the GSDP, due to relatively higher growth in non-agricultural sector, a separate Agriculture Budget was befitting. This would give a new dimension to the schemes related to agriculture and farmers, it was opined.

The **seventy-eighth** budget focused on – modern farming techniques, system of rice intensification, intensive extension campaign on Agriculture, Organic Farming, Infrastructure for Post-Harvest Management, establishment of Agro Industrial Estate and Agro Polytechnics, technological upgradation of cooperative banks, free



mobile phones to farmers under the Digital Mandi Scheme, a new scheme for Canal Lining with the objective of increasing water use efficiency and a new scheme called 'Biju Krushak Kalyan Yojana' in the Agriculture Budget.

The total public investment in agriculture and allied sectors in the Budget of 2013-14 was Rs. 7,161.84 crore.


The State Agriculture Policy – 2013 was implemented on the 1st April 2013. The underlying intention was directed at ensuring the twin objectives of making the farmers happy and ensuring food security. This was portrayed in the following words quoted in the budget –

“ ବାଷ ଅଛି ଯାହାର, କି ଆନନ୍ଦ ତାହାର,
ବାଷାଭାଗ ଯୋଗାଇଛି ଦୁନିଆକୁ ଆହାର,
ଚାଳ ବାଷ କରିବା, କଳ ହଳ ଧରିବା,
ନୁଆ ନୁଆ ବିହନକୁ, ବାଛି ବାଛି ବୁଣିବା ”

It wouldn't be wrong to say that – *“if agriculture will go wrong nothing else will have a chance to go right”*.

Additionally, universal free distribution of medicines, Odisha State Treatment Fund (OSTF), comprehensive development of Universities and Government Colleges, modernization of quality education, Grama Sabha Sashaktikaran Karyakrama (GSSK), harnessing non-conventional sources of Energy, provision for infrastructure development of a second IT-SEZ – Infovalley, 'Rural Transport Connectivity' Scheme to improve connectivity in remote tribal areas, 'State Highways Development Programme', construction of Integrated Reception Centre-cum-Mahila and Sishu Desk in Police Stations and 'Biju Yuva Sashaktikaran Yojana' for internship to 5000 youth were few of the noteworthy schemes of the General Budget.

The State Government announced the provision of rice at Rs. 1 per kg to the below poverty line families in order to further strengthen food security.

संस्कृति सं० डी० एल०-33004/99	REGD. NO. D. L.-33004/99
 भारत का राजपत्र The Gazette of India असाधारण EXTRAORDINARY भाग I—खण्ड 1 PART I—Section 1 प्रधिकार से प्रकाशित PUBLISHED BY AUTHORITY	
सं. 72]	नई दिल्ली, मंगलवार, मार्च 11, 2014/फाल्गुन 20, 1935
No. 72]	NEW DELHI, TUESDAY, MARCH 11, 2014/PHALGUNA 20, 1935
संस्कृति मंत्रालय अधिसूचना नई दिल्ली, 11 मार्च, 2014	MINISTRY OF CULTURE NOTIFICATION New Delhi, the 11th March, 2014
सं. फा. 8/85/2012-अकादमी.— किसी भाषा को प्राचीन भाषा के रूप में वर्गीकृत करने के लिए तारीख 12 अक्टूबर, 2004, 29 अक्टूबर, 2004 और 25 नवम्बर, 2005 को भारत सरकार, गृह मंत्रालय की अधिसूचना संख्या IV-14014/7/2004-NI-II द्वारा निर्धारित मानकों के संदर्भ में, भारत सरकार एतद्वारा ओडिया को 'प्राचीन भाषा' के रूप में घोषित करती है।	No. F. 8/85/2012-Akadamies.— In terms of the criteria laid down vide Government of India, Ministry of Home Affairs Notifications No. IV-14014/7/2004-NI-II dated 12th October, 2004, 29th October, 2004 and 25th November, 2005, for classifying a language as a Classical one, the Government of India hereby declares Odia as a 'Classical Language'.
2. यह अधिसूचना, मद्रास में न्यायाधिकरण के उच्च न्यायालय में रिट याचिका संख्या 2008 की 18810 (आर गांधी बनाम भारत संघ एवं अन्य) के परिणाम के अन्वये है।	2. This Notification is subject to the outcome of Writ Petition No. 18810 of 2008 (R. Gandhi Vs UOI & Ors) in High Court of Judicature at Madras.
संजीव मिश्रा, संयुक्त सचिव	SANJIV MITTAL, Jt. Secy.

The Gazette of India notification
on the declaration of Odia as
Classical language

The Right to Public Services Act came into force on 2nd January 2013. The Community Policing System was introduced in the State on 1st April 2013. On the same day, the Maritime Museum was inaugurated at Jobra. The Odisha State Youth Policy – 2013 was introduced during this period.

The Cyclone Phailin hit the coastal area of Odisha in 2013. Owing to robust disaster preparedness by the State Government the crisis was averted with zero casualties.

In the same year, Sabyasachi Mohapatra's Sambalpur Feature Film 'Sala Budha' was selected for the International Film Festival of Indian Panorama Section. In 2013, the Odia language was given the status of the sixth Classical language of India.

Times in the past had been difficult as the State Government's coffers had been practically empty. From a time when there was absolutely no fiscal space for spending on development and welfare programme to the times of radical transformation, the State had come a long way. The

The Telegraph

17 October 2013

SPLENDID JOB

Most Indian politicians are long in words and short on action. In times of crises, therefore, they usually offer a spectacle of utter confusion and incompetence. Cyclone Phailin may have changed that image of the Indian politician to a considerable extent. And this is largely because of the way Naveen Patnaik, Odisha's chief minister, geared his administration to face the fury of the storm. Mr Patnaik has always been rather unique among Indian politicians. He is not given to making high-sounding statements on every issue that stirs national politics. He is also not among those politicians who are endlessly making and unmaking alliances in regional or national politics. His government's success in tackling the cyclone's challenge is yet another evidence of Mr Patnaik's approach to governance. Leaders of such proven abilities in administration are not common in India. They might be just the kind of politicians that India will desperately need at the national level after the general elections next year.

True, improvements in science made Mr Patnaik's task easier. Weather-mapping and predictions of natural disasters such as cyclones have become more accurate than they were in 1999, when another cyclone killed over 10,000 people in Odisha. But it is one thing to be warned and quite another to act on the warning. The speed and determination with which the administration of Odisha evacuated some 7,00,000 people

Mission: Zero Casualty appreciated
by all media for Phailin 2013.
Source: The Telegraph

journey of resurgent Odisha was summarized in the following lines of Utkalmani Gopabandhu Das –

“ ଉତ୍କଳ-ତନୟେ ଦିଅ ନବ ବଳ,
 ଉତ୍କଳ-ପାଦପେ ରସମୟ ଫଳ
 ଉତ୍କଳ-ସରିତେ ପବିତ୍ର ଜୀବନ,
 ଉତ୍କଳ-କାନନେ ସୁଗାୟ ସୁମନ,
 ଉତ୍କଳ-ଆକାଶେ ନବ ଯଶଃ ରବି,
 ଉତ୍କଳ-ପ୍ରକୃତି ଧରୁ ନବ ଛବି ”

The 74th to 78th Budgets were presented in 2009-10, 2010-11, 2011-12 and 2012-13 and 2013-14 respectively. The total expenditure for these years were estimated at Rs.32,797.55 crore, Rs.38,996.72 crore, Rs.44,878.97 crore, Rs.52,030.7 crore, and Rs.60,303.08 crore respectively.

79th Budget: 2014-15; 80th Budget: 2015-16

In spite of the global gloom due to prolonged recession and subsequent slow recovery, the State's Economy continued to register a satisfactory growth trajectory. Post 2005, sound fiscal position and prudence in management of finances of the State bestowed on it the much needed headroom for implementing multifarious developmental initiatives.

The **seventy-ninth** budget made provisions for development of a Health Information System, Sanitary Kits for Adolescent Kids, setting up of a Bone Marrow Transplant Unit in SCB Medical College.

A new scheme 'Mission Yuva Shakti' to mobilize youth and achieve their holistic development, interest subvention for Women SHGs, establishment of a Sambalpuri Ikat Handloom Park, 'Biju Gaon Gaadi Yojana', State Capital Region Improvement of Power System (SCRIPS) and 'Ama Police' Scheme among various other programmes and schemes. Besides, the budget made elaborate provisions for



Sand Art made by Sudarsan Pattnaik at the Puri Sea Beach on the eve of Nabakalebara 2015

the arrangement of the event of Puri Nabakalebar 2015 - a ritual concerning Lord Jagannatha. Allocations were made towards number of projects for infrastructure development and strengthening of existing services and amenities in the temple city of Puri and periphery areas.



The total public investment in Agriculture and Allied Sectors in this budget was enhanced to Rs. 9,542.22 crore. This was an increase of about 33 per cent over the previous year. The State bagged the Krishi Karman Award for the third time in 2013-14.

The Odisha government's Food, Civil Supplies & Consumer Welfare (FSCW) department put in place an efficient system of procuring paddy and paying farmers through P-PAS (Paddy Procurement Automation System), an e-governance process. P-PAS has digitised all transactions in the mandi. There is an offline version as well for mandis that don't have net connectivity.



Paddy Procurement Automation System

P-PAS received the much coveted national e-governance award for citizen-centric delivery for 2015-16

The Odisha Government enhanced the retirement age of Govt. employees from 58 to 60 years.



National Award for e-Governance, 2015-16

Inauguration of Centre of Excellence in Fiscal Policy and Taxation at Bhubaneswar



‘Odisha Adarsha Vidyalaya’, ‘Biju Pucca Ghar Yojana’, ‘Odisha Urban Livelihood Mission’, important initiatives under the MSME Department - ‘Biju Atma Nijukti Yojana’, National Mission on Food Processing, Incentives for Food Processing Industries & Capacity Building of the Entrepreneurs, VAT Reimbursement and Subsidy under MSME Policy 2009, use of Solar Photo-Voltaic (SPV) for electrification of Sevasharam/ Ashram/ Utkal Balashram and provision of Rooftop Solar Power Plant in Government Buildings, and the establishment of a Centre of Excellence in Fiscal Policy and Taxation (CEFT) for providing research inputs to the Government were the noteworthy developments in the **eightieth** budget.

‘Nabakalebar-2015’ was to be held during the period of March - July 2015, after an interval of nineteen years. The abode of Lord Jagannatha represents the nerve centre of the cultural landscape of Odisha. The symbolism associated with Nabakalebar holds greater significance to the process of renewing and revitalising the ever-flowing eternal spirit of Odisha and its people. To make this great event a grand success, the Government machinery was to be fully involved. Therefore, a full fledged budget was prepared for Nabakalebar.

In addition to the already functional e-services in Commercial Taxes, a new e-service in Integrated Financial Management System

was introduced as a mission mode project under the National e-Governance Action Plan (NeGP). In its endeavor to end the hardship of pensioners in getting life certificates, Odisha Government launched Digital Life Certificate Initiative-Jeevan Pramaan for pensioners on 10th November 2015.

Besides, the budgets continued to patronize various other schemes introduced in the preceding years.

The onset of the milleniums's first Nabakalebar was a huge success. The exceptional festival drew millions of people who gathered in Puri to have a glimpse of the deities in their new embodiment.

The total public investment in Agriculture and Allied Sectors in this budget was increased to Rs. 10,903. 62 crore.

The 79th and 80th Budgets were presented in 2014-15, and 2015-16 respectively. The total expenditure for these years was estimated at Rs. 80,139.59 crore and Rs. 84,487.77 crore respectively. These budgets emphasized on creation of physical, social and human capital in the State. Moreover, importance was also given to develop primary infrastructure. The expenditure policy was reoriented towards developmental sector, creation of more capital assets and linking of outlays to outcomes.



Introduction of Digital Life Certificate Initiative-Jeevan Pramaan by the Odisha Government

Towards the making of a Six-Digit Budget

(81st Budget: 2016-17; 82nd Budget: 2017-18)



The budgets presented during 2016-17 and 2017-18 marked the completion of 80 years of our existence as a modern State of this great nation. Prudential management of State finances and inclusive growth continued to be the prime focus of these budgets.

2016-17 was the first year following the Nabakalebara, new body making of Lord Jagannatha, the presiding deity of our State, the ever flowing eternal source of our energy, the masthead of our multicultural identity. It was also a benchmark year for introspecting, exploring and marching towards new milestones, new goals, new dreams and chalking out a new course for 2036 that would mark the 100 years of Odisha.

The State Budget 2016-17 was presented subsequent to the presentation of the Union Budget to impart a greater degree of accuracy to the Budget Estimates. To make the budget more participatory, apart from the pre-budget consultations, suggestions were invited through a dedicated web portal in a structured format, e-mail and SMS to further strengthen the consultative process. The State Budget 2016-17 reaffirms government’s commitment to improve the lives of the people and welfare of the poor and the vulnerable.

Odisha is among few States that present a separate Agriculture Budget. As a step forward, the State formed a separate ‘Agriculture Cabinet’ as a Committee of the Cabinet. Agriculture was renamed as Department of Agriculture and Farmers’ Empowerment. It was a strategic step towards farmer centric development. Therefore, the Budget 2016-17 allocated 14.02 per cent of the total outlay towards agriculture and allied sector. ‘Special Programme for Millet in Tribal Areas’, ‘Support to Integrated Farming System in Tribal Districts’, ‘Promotion of Gender Friendly Tools for Farm Women in Odisha’, and ‘Support to Farmer Producers’ Organizations’ were the major schemes proposed.



In the all-party meeting held on 1st February 2016, a decision was made to present Annual Budget of the State after the presentation of the Union Budget.



The First Megalift Project of the State



Left Main Canal of the Rengali Irrigation Project

The First Megalift Project of the State was commissioned at Laitara in the District of Kalahandi. Further, the Rengali Left Canal System was built with the objective to increase production of agriculture and improve the living standard of farmers in the Project area by constructing irrigation systems.

The Agriculture Budget articulated that the most decisive response to the challenges of rural poverty and regional disparity revolves around agriculture. The Agriculture Budget speech ended with the following lines of the Odia poet Gangadhar Meher, which illustrate the Government's efforts towards this end:

“ କୃଷି ସିନା ସଂସାରେ ସଭ୍ୟତାର ମୂଳ
କୃଷି ଏକା ସକଳ ଜୀବିକାର ତୁଳ ”

Though the challenges were manifold, the General Budget tried to address the competing priorities across different sectors within the resource envelop in an optimal manner. The budget made a firm resolve to meet these challenges and take the State to greater



New Medical College at Baripada

heights. In the direction of these aspirations, the budget introduced several schemes for strengthening the welfare of the people, for development of social and economic infrastructure, to promote heritage and culture, and eventually to address societal aspirations.

The shortage of qualified medical professionals poses a formidable challenge before the State's health sector. Apart from bearing the cost of the land, the State Govt. has earmarked Rs. 615 crore for construction of the five new medical colleges in the Districts of Bolangir, Koraput, Mayurbhanj, Balasore and Puri in addition to the assistance promised by the Centre.



A new scheme was proposed under the Odisha Craft Skill Development and Rural Employment 'Utkarsh' Project. The 'Biju Expressway' scheme was proposed to improve connectivity in Western Odisha and KBK districts which also serve as an economic corridor between Jagdalpur and Rourkela. For ensuring all-weather connectivity in rural areas, Steel Bailey Bridges were proposed to be constructed in the remote areas of IAP Districts. The State successfully showcased its scope and opportunity for investment in industrial sector in the 'Make in India week'. In the 'Ease of doing Business' Odisha was ranked 7th in the country by the World Bank.



Biju Expressway



Steel Bailey Bridge

Allocations were made towards the creation of permanent infrastructure as shelters of 'Habisialis' (women devotees), who visit Puri and stay there for observing traditional rituals in the month of Kartik. Funds were earmarked towards a Jagannath Enclave for construction of different State Bhawans/Niwas to facilitate the staying of visitors from their state in the spiritual capital of Odisha, Puri. It was also proposed to provide for construction of Multipurpose Community-cum-Cultural Centres for Minority Communities and a Haj House for the pilgrims.



'Biju Kanya Ratna', a scheme for the empowerment of girls through promotion of equal opportunities, was proposed to be launched in the districts of Angul, Dhenkanal and Ganjam.



An Odia Virtual Academy was proposed to be set up to provide easy and seamless access to the rich literary corpus of Odia language which has now been declared as a classical language. The budget spelt out that investment in education is investment in human capital, which is a driver of economic growth.

The Gender Budget Statement was proposed to be expanded to include Part-A encompassing schemes in which 100 per cent provision is for women and Part-B where the allocations for women constitute at least 30 per cent of the provision.

In order to deal with matters relating to welfare of Persons with Disabilities, Transgender Persons, Elderly Persons, and Social Security Pensions in a focused manner, a new Department namely 'Social Security and Empowerment of Persons with Disabilities (SSEPD) Department' was created.

Acknowledging that the unique developmental challenges facing the State necessitate specially drafted responses, the State has come out with the concept of 'Odisha Knowledge Hub'. Odisha Knowledge



The First Speaker of the OKH Series



Hub (OKH) Lecture Series are intended for promoting a culture of listening and learning within the government system.

Convergence was the language of the **eighty-first** budget. Convergence of extra-budgetary resources, to budgetary resources and between budgetary resources, was mapped for ensuring productive output through effective utilization of resources. To make the convergence exercise an integral part of the budget making process, “Planning and Co-ordination Department” was renamed as “Planning and Convergence Department”.

The Total Expenditure was budgeted at Rs. 95,052.65 crore. This total expenditure was proposed to be funded by 83 per cent of revenue receipt and 17 per cent of capital receipt. Being financed by Revenue Surplus as well as higher Fiscal Deficit, the Capital Outlay was increased to Rs. 16,749.70 crore, amounting to 4.37 per cent of GSDP. The share of development expenditure out of total expenditure excluding repayment of debt was pegged at 74.89 per cent. The

expenditure pattern in the budget is depictive of an improvement in quality of expenditure in order to usher in higher inclusive growth.

Moving ahead, the Participatory Budget Initiative 2017-18 continued to engage the people of the State to put forth their views and suggestions for spending public money as well as for resources to finance the Budgetary Outlays. The remarkable response received was carefully considered and factored into the budget making process.

The State Budget 2017-18 was a response to the societal aspirations. It was a one-of-its-kind landmark as the size of the budget crossed the six digit mark at Rs. 106,910.87 crore as against a total budget size of Rs. 1.77 crore at the time of the first budget in 1936-37. The budgeted capital expenditure was at Rs. 0.02 crore in FY 1936-37 which now stands at Rs. 24,673.64 crore in FY 2017-18.

In line with the legacy of placing developmental expenditure and welfare of the people of the State at the centre of policies and planning, the **eighty-second** budget continued to address the competing priorities across different sectors within the resource envelope in an optimal manner. The policy interventions delineated in the Budget 2017-18 were oriented towards rapid and inclusive development of the State. The budget commemorated the achievements of the State since the new millennium and deliberated on the future challenges before the State.

The distinction between plan and non-plan was done away with for 2017-18 Budget Estimates. The Estimates of Expenditure would henceforth be grouped into four broad categories - Administrative Expenditure, Programme Expenditure, Disaster Response Fund and Transfers from the State Government. Revenue and Capital account will continue as before within these broad categories.

When the separate Agriculture Budget was introduced in 2013-14 the outlay was estimated at Rs. 7,162 crore. The estimated outlay in 2017-18 increased by 100 per cent over 2013-14, to an outlay of Rs.14,930 crore. The distinct Agriculture Budget was an endeavor

towards holistic, focused and accelerated development of agriculture for faster reduction of poverty and ensuring welfare of farmer communities. The productivity gain in agriculture in the State has been well recognized by the Centre with the conferment of the 'Krishi Karman Award' for four times in the last five years.

The Agriculture Budget for the year was aligned with the farming life cycle which covers major activities performed by a farmer for raising crops and taking up horticulture, floriculture, fisheries, animal husbandry and other allied activities. Soil health management, seed selection, improved farm implements, assured irrigation, affordable and timely credit, effective extension, proper risk coverage, post-harvest management and marketing as well as farmer welfare measures were central to the budget.

Provision of interest subvention on crop loans to ensure credit availability at an effective interest rate of 1 per cent to the farmers for loans up to Rs. 50,000 and 2 per cent for loans above Rs. 50,000 was budgeted. A sum of Rs. 435 crore as Interest Subvention to Co-operatives as well as commercial banks was proposed in the budget.

In 2016-17, the budget proposed to construct 4000 Check Dams to conserve water at the end of monsoon season to provide drinking water facilities in the villages along both the sides of river after

Check Dam constructed under the Mukhya Mantri Adibandha Tiyari Yojana (MATY)



monsoon period and to provide incidental irrigation to crops during late khariff and rabi by storing water at the end of monsoon, mainly through lifting devices.

The State acknowledged that agriculture continues to be the lifeline of our economy – contributing towards food security and providing livelihood to a vast majority of our people. In this context words of the famous poet Swabhaba Kabi Gangadhar Meher, glorifying agriculture, were quoted in the budget.

“ କୃଷି କଲେ ଉନ୍ନତ ସକଳ ଉନ୍ନତି
କୃଷି ବିନା ନା କହ୍ନା ନା ପହ୍ନା କାହିଁବା ଅନ୍ୟ ଗତି ହେ ”

The budget 2017-18 was dedicated to the all-round development of the State and welfare of our people, especially the women, members of Scheduled Tribes, Scheduled Castes, Other Backward classes, Minorities, Differently-abled and Disadvantaged.

A new programme ABADHA- Augmentation of Basic Amenities & Development of Heritage & Architecture was launched for holistic development and transformation of Puri into a world class heritage city.

The budget reflects Government's commitment towards universalizing elementary education and expanding secondary education with a special focus on improving quality of education in elementary and secondary schools.

Various initiatives have been taken to improve education facilities and strengthen skill development. The Odisha Adarsha Vidyalaya Scheme has resulted in the establishment of 100 schools spanning across 14 districts of the State. Various new schemes such as Anwasha - to provide free quality education to ST and SC students in the best English medium schools in urban areas and Akanksyha - to provide urban hostel complexes for ST and SC youth to continue their higher education were launched. Furthermore, with the intention of making



Anwasha Scheme



Urban Hostel Complex - Akankshya Scheme

Odisha a knowledge hub of the country, several autonomous colleges have been upgraded into Universities. The Odisha Skill Development Authority was institutionalized to supervise the implementation of various skill development programmes. Education and Skill Development account for the highest allocation in the budget amounting to Rs.18,404 crore.



The State remains committed to improving health care services and family welfare. The introduction of the Mukhya Mantri Swasthya Seva Mission was an effort in that direction. The older schemes like SAMPURNA continue to be prioritized, and a new scheme called Niramaya was launched for free supply of medicines for the poor through Odisha State Medical Corporation. The total budgetary allocation towards Health and Family Welfare Department amounts to Rs. 5,690 crore.



Buxi Jagabandhu Assured Water Supply to Habitations (BASUDHA) was launched for provision of new drinking water supply in rural and urban areas. Both the operation and maintenance of drinking water supply systems, in Panchayats and municipalities, were prioritized.



With the vision of ensuring a ‘decent roof’ for every household, several initiatives for housing have been drafted. An amount of Rs. 3300 crore was allocated towards this endeavor.

Subsequent to the impressive success of the MAMATA scheme, many new schemes under the Women and Child Development Department have been formulated. Malatidevi Prak Vidyalaya Paridhan Yojana - to provide uniform for children undergoing pre-school education and Mukhyamantri Mahila Sashaktikarana Yojana – for financial assistance to Women Self Help Groups (WSHG) and their federations under Mission Shakti were two such notable schemes spelled out in the budget.

The commitment of the State towards the protection and economic empowerment of SCs, STs, other backward castes, minorities, differently-abled and disadvantaged sections of the society was evident in the budget. The State strives to help them realize their full potential and live a dignified life. To realize this goal, the budget allocated a sum of Rs. 2948 crore for Scheduled Tribes and Scheduled Caste Development, Minorities and Backward Classes Welfare and Rs. 2,007.69 crore for the Social Security and Development & Empowerment of Persons with Disability.

The budget listed that every eligible family/individual was to be covered under the National Food Security Act (NFSA). Automatization of fair price shops and digitization of ration cards were to be undertaken to ensure transparency in entitlement to the deserving families.

Urban Transformation Initiative (UNNATI) was launched for the improvement of urban infrastructure. The outlay towards Urban Development was stepped up to Rs. 4,478 crore.

A new scheme called Baristha Bunakar Sahayata Yojana was launched for rewarding the weavers of the State for their uninterrupted services rendered in keeping the heritage of art and craft of Odisha alive.

To strengthen the tourism potential of Odisha and augment tourism infrastructure a Tourism Policy 2016 was formulated and Baristha Nagarika Tirtha Yatra Yojana was launched as a part of the policy. Besides, a sand art museum was to be established at Puri as a part of tourism infrastructure.

The State Government's initiatives towards the promotion of ancient, classical and folk culture of the State are reflected in the MoU signed with Jawaharlal Nehru University, New Delhi to establish Adikabi Sarala Das Chair of Odia Studies. It is further proposed to establish two more chairs in the University of Hyderabad in the name of Bhakta Kabi Madhusudan Rao and Central University of Gujarat in the name of Kuntala Kumari Sabat.

A new scheme called 'Connecting Unconnected Villages' was proposed to provide road connectivity to 142 remotest and inaccessible villages





33 × 11 KV Sub-stations

of 17 Left Wing Extremist (LWE) affected districts. Railways Projects aimed at strengthening rail connectivity and modernization of Bhubaneswar Railway Station were also listed in the budget.

In order to ensure 'Electricity to All', a sum of Rs.385 crore was budgeted. The Odisha Distribution System Strengthening Programme (ODSSP) was launched under which 500 new 33x11 KV sub-stations are to be added by 2018.

To ensure focused attention to disaster mitigation, relief and management, a separate Demand for Grant No. 42 under Revenue and Disaster Management Department was proposed.

To promote efficiency and effectiveness of public expenditure, reform initiatives such as Outcome Budget, Restructuring of Directorates of Small Savings and Institutional Finance, Integrated Financial Management System (iFMS 2.0), Digital Payment, Direct Benefit Transfer (DBT) Portal, Service Costing and benchmarking, Evaluation, Performance Audit and Value of Money were introduced.

The total budgeted outlay relative to Gross State Domestic Product (GSDP) increased to a high of 25.92 per cent. The capital outlay in

2017-18 is Rs. 20, 774 crore, which is about 5.04 per cent of GSDP. This vindicates the State Government's commitment to ensure higher formation for higher growth trajectory. The capital outlay is partly financed through generation of surplus on revenue account and partly through public debt. In addition, the Loans and Advances, grants for creation of capital assets and other expenditure for capital formation put together accounted for Rs.9,023 crore, which is 2.2 per cent of GSDP.

The budgeted developmental expenditures at 18.55 per cent of GSDP 2017-18 validate the State's commitment on quality of Expenditure. The Budget 2017-18 envisaged inclusive growth through higher quality expenditure and more capital outlay. The State has been FRBM compliant since 2005-06 in all fiscal parameters.

The State faced a number of development challenges since its formation. However, the Government's firm resolve to meet these challenges for the development, prosperity and welfare of our people has remained unhindered as reflected in the budgets. The response to these challenges has led the Government towards the making of the six digit budget.

The common thread running across the budgets, from early years of newly carved province of 'Orissa' to the modern progressive State of Odisha that we live in today, is the steadfastness of the successive Governments in leaving no stone unturned for creating a developed and prosperous State.

Over the span of these eighty years, the endeavor of the State has been to reach new heights and ensure that the benefits flowing from the progress accrue to one and all. A multitude of schemes, policies and plans extending over various sectors have been taken up at one point or the other or simultaneously to ensure that the process of development is never static. Through investment in agriculture, industrial development, alleviating poverty, eliminating illiteracy through quality education,



affordable health care facility and social security for all, the quest for improving the life of the people in general and vulnerable sections of the society in particular has been commendable.

With total expenditure summing up to Rs. 1.77 crore, the budget of 1936-37 was a baby step towards transforming the socioeconomic condition of the new province. Over the eighty years this has risen at a compound annual growth rate of 15 per cent to Rs. 84,487.77 crore for the year 2015-16. This monumental growth is depictive of the prodigious strides taken by the State towards socioeconomic progress.

The journey thus far has been magnificent. However, the journey to the future is still afoot. The budget embodies the socio-political and economic policy priorities and fiscal targets of the government. Budgetary Policy is not an end in itself; it must sub-serve the ends of State's socio – economic priorities. Before we look into the Way Forward we delve a little deeper into ascertaining the bearing that these budgets have had on the economy of the State in the chapter – ‘Empirical Analysis of State Finance since FY 1936-37’.



Appendix 3.A1
Budget Estimates of Revenue and Expenditure
From 1936-37 to 2017-18

(Rs. crore)

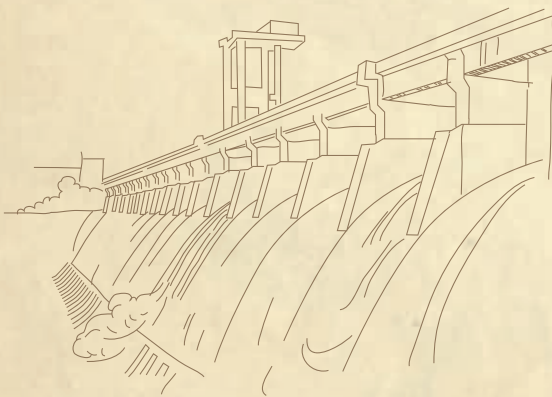
Year	Revenue Receipts	Capital Receipts	Revenue Expenditure	Capital Expenditure	Total Expenditure
1936-37	1.74	0.02	1.76	0.02	1.77
1937-38	1.9	0.02	1.84	0.02	1.87
1938-39	1.92	0.02	1.95	0.02	1.97
1939-40	1.84	0.02	2.03	0.03	2.06
1940-41	1.95	0.03	2	0.04	2.03
1941-42	1.93	0.02	1.91	0.04	1.94
1942-43	1.97	0.06	1.97	0.07	2.04
1943-44	2.12	0.06	2.16	0.08	2.24
1944-45	2.57	1.5	2.67	1.48	4.15
1945-46	2.94	1.06	3.03	1.08	4.11
1946-47	4.06	2.36	4.55	2.39	6.94
1947-48	6.1	2.53	7.2	2.38	9.57
1948-49	6.82	3.46	7.51	3.75	11.26
1949-50	8.9	9.68	8.76	9.31	18.07
1950-51	10.66	6.66	11.42	6.16	17.58
1951-52	10.56	13.86	11.51	14.02	25.53
1952-53	11.78	17.58	12.07	17.69	29.76
1953-54	13.57	17.19	14.46	17.46	31.92
1954-55	14.12	18.95	14.86	19.24	34.1
1955-56	16.69	30.53	18.57	29.76	48.33
1956-57	19.38	27.59	24.98	24.89	49.87
1957-58	21.89	25.18	25.07	22.91	47.98
1958-59	27.52	24.71	26.94	25.98	52.92
1959-60	30.65	26.14	30.58	26.04	56.63
1960-61	36.67	21.81	40.18	19.03	59.21
1961-62	40.06	26.71	50.32	23.54	73.86
1962-63	55.57	30.11	56.43	29.58	86.01
1963-64	67.6	38.19	67.15	36.48	103.63
1964-65	74.53	38.64	78.44	54.12	132.56
1965-66	81.35	53.28	91.38	53.33	144.71
1966-67	105.29	40.33	105.25	50.78	156.03

(Rs. crore)

Year	Revenue Receipts	Capital Receipts	Revenue Expenditure	Capital Expenditure	Total Expenditure
1967-68	117.06	60.67	117.62	56.49	174.11
1968-69	123.08	44.27	122.19	56.59	178.78
1969-70	121.38	47.11	130.91	64.63	195.54
1970-71	132.38	46.72	143.46	75.02	218.48
1971-72	151.89	69.42	161.97	72.29	234.26
1972-73	133.57	86.13	177.26	81.89	259.15
1973-74	175.79	109.1	206.79	94.5	301.29
1974-75	230.07	79.07	231.44	87.44	318.88
1975-76	268.1	89.05	274.9	95.14	370.04
1976-77	311.35	311.35	308.83	152.47	461.3
1977-78	377.73	160.97	351.11	219.35	570.46
1978-79	412.28	267.6	398.79	307.34	706.13
1979-80	482.39	218.44	459.53	269.01	728.54
1980-81	536.96	201.18	512.71	256.07	768.78
1981-82	569.31	217.31	547.55	263.05	810.6
1982-83	661.6	415.15	638.9	489.68	1128.58
1983-84	799.11	507.97	780.18	561.26	1341.44
1984-85	842.06	723.52	835.73	772.41	1608.14
1985-86	1069.5	770.52	1059.44	826.32	1885.77
1986-87	1246.2	581.32	1228.9	684.04	1912.94
1987-88	1494.38	749.76	1410	923.08	2333.08
1988-89	1676.66	913.93	1615.89	1084.95	2700.84
1989-90	1824.31	1312.09	2003.26	1335.46	3338.72
1990-91	2481.93	1518.94	2555.08	1538.15	4093.23
1991-92	2787.85	1694.15	2834.86	1892.61	4727.47
1992-93	3064.94	1850.68	3248.78	1906.72	5155.5
1993-94	3444.44	1800.5	3626.01	1903.85	5529.86
1994-95	3994.33	2179.47	4416.27	2017.61	6433.88
1995-96	4127.66	2098.81	5115.26	1687.43	6802.69
1996-97	4754.18	2271.66	5540.96	1849.63	7390.59
1997-98	5178.89	2802.34	6124.8	2343.5	8468.3

(Rs. crore)

Year	Revenue Receipts	Capital Receipts	Revenue Expenditure	Capital Expenditure	Total Expenditure
1998-99	5673.2	4114.63	7256.39	3259.27	10515.66
1999-00	6196.28	4769.74	8061.88	3739.21	11801.09
2000-01	7390.2	5329.31	9641.45	3963.13	13604.58
2001-02	8533.83	5296.73	10300.3	4468.43	14768.73
2002-03	9602.94	5378.44	11357.78	4307.3	15665.08
2003-04	10054.98	6299.76	12520.76	4342.57	16863.33
2004-05	11463.11	8409.36	14083.9	5616.01	19699.91
2005-06	12693.15	5784.69	13783.87	4680.33	18464.2
2006-07	15465.08	4428.21	15939.88	3613.7	19553.58
2007-08	19467.2	3869.72	18421.44	5090.15	23511.59
2008-09	23270.42	4348.35	22706.55	5241.94	27948.49
2009-10	26550.09	4422.43	28919.19	3878.36	32797.55
2010-11	31445.3	5313.9	32481.95	6514.77	38996.72
2011-12	36383.36	6606.76	36323.23	8555.74	44878.97
2012-13	43842.74	5596.57	41431.97	10598.73	52030.7
2013-14	51298.98	7044.57	49394.36	10908.72	60303.08
2014-15	67146.96	10936.01	62881.42	17258.17	80139.59
2015-16	70940.5	12240.67	65838.99	18648.78	84487.77
2016-17	78126.71	14854.52	74443.38	19609.27	94052.65
2017-18	88931.52	17133.46	82237.23	24673.64	106910.87



The Honorable Governors,
Prime Ministers, Chief Ministers
and Finance Minister
of Odisha



The Illustrious Governors of Odisha



Sir John Austen Hubback
(01.04.1936 to 10.08.1938)
and (08.12.1938 to 31.03.1941)



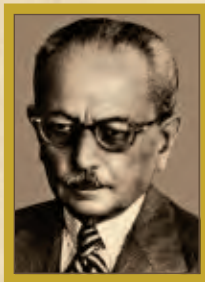
Sir Hawthorne Lewis
(01.04.1941 to 31.03.1946)



Sir Chandulal
Madhavlal Trivedi
(01.04.1946 to 14.08.1947)



Dr. Kailash Nath Katju
(15.08.1947 to 20.06.1948)



Shri M. Asaf Ali
(21.06.1948 to 05.05.1951)



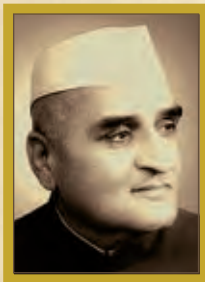
Shri V. P. Menon
(06.05.1951 to 17.07.1951)



Shri Saiyid Fazal Ali
(07.06.1952 to 09.02.1954)



Shri P. S. Kumaraswamy
Raja
(10.02.1954 to 11.09.1956)



Shri Bhimsen Sachar
(12.09.1956 to 31.07.1957)



Shri Yeshwant Narayan
Sukthankar
(31.07.1957 to 15.09.1962)



Dr. Ajudhia Nath Khosla
(16.09.1962 to 04.08.1966)
and (19.09.1966 to 30.01.1968)



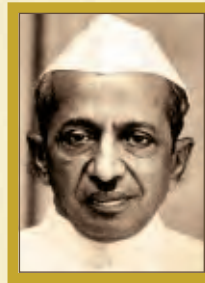
Dr. Shaukatullah Shah
Ansari
(31.01.1968 to 20.09.1971)



Sardar Jogendra Singh
(20.09.1971 to 30.06.1972)



Justice Shri Gatikrushna Mishra
(01.07.1972 to 08.11.1972)
and (21.08.1974 to 25.10.1974)



Shri Basappa Danappa Jatti
(08.11.1972 to 20.08.1974)



Shri Akbar Ali Khan
(25.10.1974 to 17.04.1976)



Justice Shri Siva Narayin Sankar
(17.04.1976 to 07.02.1977)



Shri Harcharan Singh Brar
(07.02.1977 to 22.09.1977)



Shri Bhagwat Dayal Sharma
(23.09.1977 to 30.04.1980)



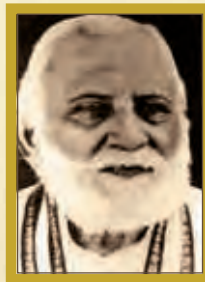
Shri Cheppudira Muthana Poonacha
(30.04.1980 to 30.09.1980),
(04.11.1980 to 24.06.1982)
and (01.09.1982 to 17.08.1983)



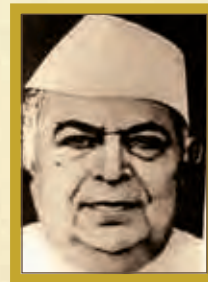
Justice Shri Sukanta Kishore Ray
(01.10.1980 to 03.11.1980)



Justice Shri Ranganath Misra
(25.06.1982 to 31.08.1982)



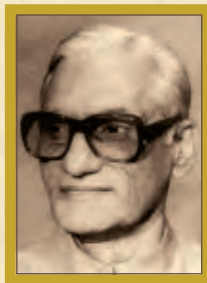
Shri Bishambhar Nath Pande
(17.08.1983 to 20.11.1988)



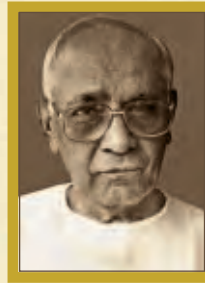
Prof. Saiyid Nurul Hasan
(20.11.1988 to 06.02.1990),
and (01.02.1993 to 31.05.1993)



Shri Yagya Dutt
Sharma
(07.02.1990 to 01.02.1993)



Shri B. Satyanarayan
Reddy
(01.06.1993 to 17.06.1995)



Shri Gopala Ramanujam
(18.06.1995 to 30.01.1997)
and (13.02.1997 to 13.12.1997)



Shri K.V. Raghunatha
Reddy
(31.01.1997 to 12.02.1997)
and (13.12.1997 to 27.04.1998)



Dr. C. Rangarajan
(27.04.1998 to 14.11.1999)



Shri M. M. Rajendran
(15.11.1999 to 17.11.2004)



Shri Rameshwar Thakur
(17.11.2004 to 21.08.2007)



Shri Murlidhar
Chandrakant Bhandare
(21.08.2007 to 20.03.2013)



Dr. Senayangba
Chubatoshi Jamir
(21.03.2013 to 20.03.2018)



Shri Satya Pal Malik
(21.03.2018 -)

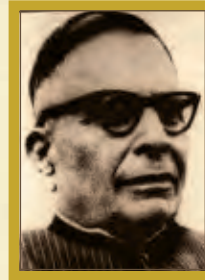
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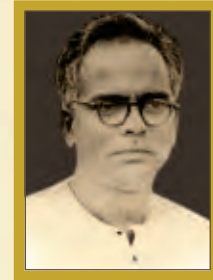
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Chandra Gajapati Narayan
Deo**
Prime Minister
(01.04.1937 to 19.07.1937)
and (24.11.1941 to 30.06.1944)



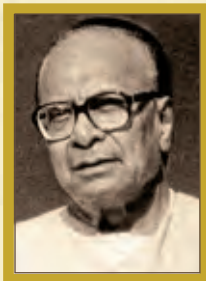
Shri Biswanath Das
Prime Minister
(19.07.1937 to 06.11.1939)
&
Chief Minister
(03.04.1971 to 14.06.1972)



**Dr. Harekrushna
Mahatab**
Prime Minister
(23.04.1946 to 26.01.1950)
&
Chief Minister
(26.01.1950 to 12.05.1950),
(19.10.1956 to 06.04.1957),
(06.04.1957 to 22.05.1959),
and (22.05.1959 to 25.02.1961)



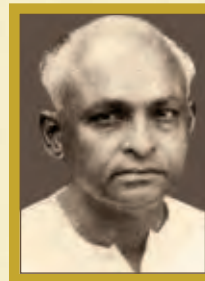
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Choudhury**
Chief Minister
(12.05.1950 to 20.02.1952)
and (20.02.1952 to 19.10.1956)



**Shri Bijayananda
Patnaik**
Chief Minister
(23.06.1961 to 02.10.1963),
and (05.03.1990 to 15.03.1995)



Shri Biren Mitra
Chief Minister
(02.10.1963 to 21.02.1965)



Shri Sadasiva Tripathy
Chief Minister
(21.02.1965 to 08.03.1967)



**Shri Rajendra
Narayan Singh Deo**
Chief Minister
(08.03.1967 to 09.01.1971)



Smt. Nandini Satpathy
Chief Minister
(14.06.1972 to 03.03.1973),
and (06.03.1974 to 16.12.1976)



Shri Binayak Acharya
Chief Minister
(29.12.1976 to 30.04.1977)



Shri Nilamani Routray
Chief Minister
(26.06.1977 to 17.02.1980)



Shri Janaki Ballav Patnaik
Chief Minister
(09.06.1980 to 10.03.1985),
(10.03.1985 to 07.12.1989)
and (15.03.1995 to 17.02.1999)



Shri Hemananda Biswal
Chief Minister
(07.12.1989 to 05.03.1990)
and (06.12.1999 to 05.03.2000)



Shri Giridhar Gamang
Chief Minister
(17.02.1999 to 06.12.1999)



Shri Naveen Patnaik
Chief Minister
(05.03.2000 to 16.05.2004),
(16.05.2004 to 19.05.2009),
(22.05.2009 to 21.05.2014)
and (21.05.2014 -)

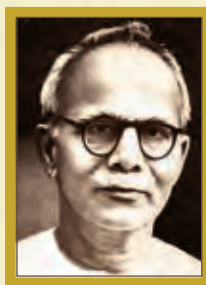
The Esteemed Finance Ministers of Odisha



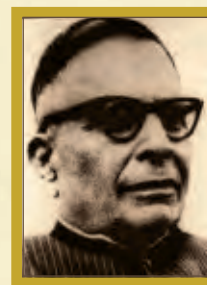
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Chandra Gajapati Narayan
Deo**
Cabinet Minister
(01.04.1937 to 19.07.1937)



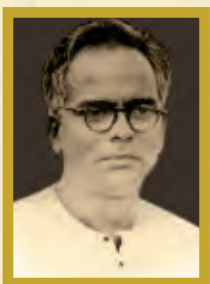
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(03.04.1971 to 14.06.1972)



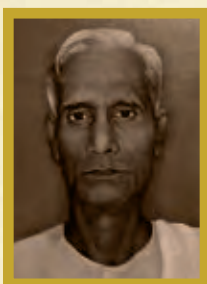
**Pandit Godavaris
Mishra**
Cabinet Minister
(24.11.1941 to 30.06.1944)



Dr. Harekrushna Mahatab
Cabinet Minister
(23.04.1946 to 12.05.1950),
(19.10.1956 to 06.04.1957),
and
(06.04.1957 to 22.05.1959)



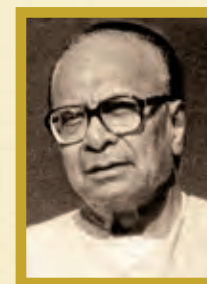
**Shri Nabakrushna
Choudhury**
Cabinet Minister
(12.05.1950 to 20.02.1952)
and
(20.02.1952 to 07.04.1952)



Shri Radhanath Rath
Cabinet Minister
(07.04.1952 to 19.10.1956)



**Shri Rajendra Narayan
Singh Deo**
Cabinet Minister
(22.05.1959 to 25.02.1961)
and
(08.03.1967 to 09.01.1971)



**Shri Bijayananda
Patnaik**
Cabinet Minister
(23.06.1961 to 02.10.1963)
and
(24.07.1990 to 02.01.1991)



Shri Biren Mitra
Cabinet Minister
(02.10.1963 to 21.02.1965)



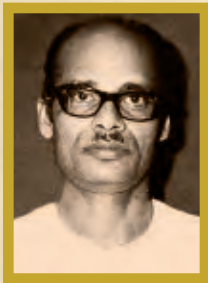
Shri Sadasiva Tripathy
Cabinet Minister
(21.02.1965 to 08.03.1967)



Shri Prahallad Mallick
Deputy Minister, Finance
(21.02.1965 to 08.03.1967)



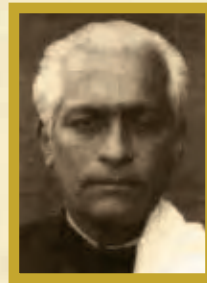
**Shri Kartik Chandra
Majhi**
Deputy Minister, Finance
(06.09.1967 to 31.08.1969)



Shri Jadunath Das Mohapatra
Deputy Minister, Finance
(21.01.1972 to 14.06.1972)
and
Cabinet Minister
(26.11.1976 to 16.12.1976)



Shri Banka Behari Das
Cabinet Minister
(14.06.1972 to 03.03.1973)



Shri Binayak Acharya
Cabinet Minister
(06.03.1974 to 26.11.1976)
and
(29.12.1976 to 30.04.1977)



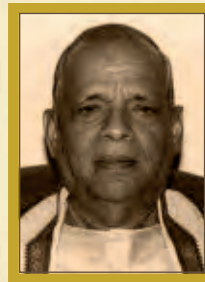
Shri Jagannath Patnaik
Minister of State
(29.12.1976 to 30.04.1977)



Dr. Ram Prasad Mishra
Cabinet Minister
(26.06.1977 to 17.02.1980)



Shri Raghunath Patnaik
Cabinet Minister
(09.06.1980 to 12.02.1985)
and (17.02.1999 to 06.12.1999)



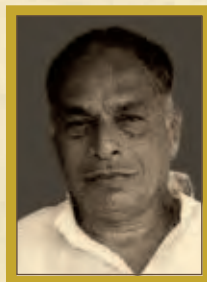
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Cabinet Minister
(12.02.1985 to 10.03.1985),
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(19.12.1986 to 06.02.1987)
and
(24.08.1998 to 17.02.1999)



Shri Gangadhar Mohapatra
Cabinet Minister
(30.05.1985 to 19.12.1986)
and
(07.12.1989 to 05.03.1990)



Shri Jugal Kishore Patnaik
Cabinet Minister
(06.02.1987 to 07.12.1989)



Shri Rama Krushna Patnaik
Cabinet Minister
(15.03.1990 to 24.07.1990)
and
(05.03.2000 to 06.08.2002)



Shri Bed Prakash Agrawal
Cabinet Minister
(02.01.1991 to 15.03.1995)



Shri Basanta Kumar Biswal
Cabinet Minister
(15.03.1995 to 24.08.1998)



**Shri Bhagabat Prasad
Mohanty**
Cabinet Minister
(10.12.1999 to 05.03.2000)



Shri Naveen Patnaik
Cabinet Minister
(06.08.2002 to 16.05.2004)



Shri Panchanan Kanungo
Minister of State
(06.08.2002 to 16.05.2004)



**Shri Prafulla Chandra
Ghadai**
Cabinet Minister
(16.05.2004 to 19.05.2009)
and
(22.05.2009 to 02.08.2012)



**Shri Prasanna
Acharya**
Cabinet Minister
(02.08.2012 to 18.05.2014)



**Shri Pradip Kumar
Amat**
Cabinet Minister
(21.05.2014 to 06.05.2017)



**Shri Shashi Bhusan
Behera**
Cabinet Minister
(07.05.2017 -)

Source:

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Indian Audit and Accounts Department is headed by the Comptroller and Auditor General of India. The field offices of the Indian Audit and Accounts Department are headed by Accountants General/Principal Directors. The Accountants General (A&E) offices are responsible for maintenance of Accounts of State Government. It involves in preparation of the Monthly Civil Accounts and Yearly Finance Accounts and Appropriation Accounts of the Government of Odisha.

<http://budget.odisha.gov.in/>

This web portal disseminates information about the State Budget. It displays all budget related documents for easy access by the public. The budget documents, budget speeches, previous economic surveys are available on this site.

<http://cga.nic.in/>

This website, maintained by the Controller General of Accounts, maintains the Monthly Account, Annual Finance Accounts and Appropriation Accounts of the Government of India. It also displays the accounting rules and procedure in vogue for the GOI.

<http://finmin.nic.in/>

This is the website of the Ministry of Finance (MOF) of the GOI. It displays the latest trends in the economic and financial data for the country and the GOI, the budget, the finances of the Centre and the States, the major fiscal legislation handled by the MOF and links to various related organizations.

<http://www.goidirectory.nic.in/>

This is the official centralized website of the Government of India. It has links to the various Ministries and Departments as also to the websites of the other organs of the state such as the Supreme Court, the Parliament etc.

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Government of Odisha

CHAPTER 4

Empirical Analysis of State Finances Since 1936-37



The objective of the budgetary exercise is to set up fiscal targets and level of expenditures compatible with those targets; to formulate expenditure policies; to allocate resources in conformity with both policies and fiscal targets and to address operational efficiency and performance issues. Therefore, the budgetary exercise has a great bearing on economic activities of the State. In order to realize the extent to which the eighty years of budget has influenced the economy of Odisha, a comprehensive account of the financial position of the State's economy is evaluated since 1936-37.

This chapter is organized into two sections. In Section I, 'Financial Position of Orissa in Pre-Plan Era' is analyzed. This covers the financial position during the Pre-War period (1936-37 to 1938-39), War period (1939-40 to 1945-46), Post War period before Integration (1946-47 to 1948-49) and the Post Integration (1949-50 to 1950-51) period. In Section II, an analysis of the 'State Finances in Planning Era' is made capturing comprehensive set of fiscal parameters along with the growth of State's GSDP and structure of the State economy.

Section – I

Financial Position of Odisha in Pre-Plan Era



In the Pre-Plan Era, the economy of Bihar and Orissa Province was in a dismal state. Owing to the failure of harnessing its resources, the scale of public expenditure in these provinces was the lowest in the country. On account of its abject poverty, the province was exempted from contributing to the central revenue under the Meston Settlement. In the Bihar and Orissa Province, the Orissa portion was relatively poor and less developed.¹³⁵

Later, when Orissa was separated from Bihar in 1936, it was obvious that there would be an initial deficit for Orissa which could not have been financed by increasing the burden of taxation on the people of Orissa. There was unanimity that a corresponding subvention from the central treasury was indispensable. In this background, the financial position of Orissa subsequent to its formation is traced.

The Pre-War Period (1936-37 to 1938-39)

The deficit in the financial position of the newly formed Orissa province was distressing. The Government of India decided to grant Rs. 40.5 lakh to the new province for balancing its budget. In addition, a non-recurring grant of Rs. 9.5 lakh was assigned to the province for certain specific purposes. The principles of financial settlement between the Provinces and the Centre were recommended by Sir Otto Niemeyer, after the Government of India Act, 1935 came into force. Sir Otto Niemeyer observed, "Some increase in expenditure is inevitable; it is impossible to ignore the fact that the existing standard of expenditure in Orissa is extremely low and scope for expansion of the province's own resources in the early future is usually limited."¹³⁶

After adjusting for certain items like the decline in expenditure on account of cancellation of interest on irrigation debt, increase in share of jute export duty, etc., the net subvention to the province was fixed at Rs. 40 lakh. The budget of 1936-37, thus, became a formal

¹³⁵ S. Misra, "Orissa Finances". *The Economic Weekly*, 1952, p. 536.

¹³⁶ Finance Department, Government of Odisha, *Orissa Taxation Enquiry Report*, 1961, p. 5.

financial settlement for the province, although at the beginning it was intended to be a temporary arrangement.

The financial accounts of the province during the period prior to the war (i.e., from 1936-37 to 1938-39) reveal its ceaseless struggle to make both ends meet. A multitude of measures like resorting to retrenchment, reduction in pay scales and lowering the standard of administration were scrupulously implemented. The inelasticity of the main sources of revenue, such as land revenue, excise, forests and stamps, made it impossible for the province to augment the income from those sources. Hence, inadequate revenue generation weighed heavily on the province.

Under the Niemeyer Award, 62.5 per cent of the jute export duties were assigned to the provinces, where the horizontal share of Orissa was decided at two per cent. This horizontal share amounted to about two lakh rupees in the first year of autonomy; but thereafter till the end of war, it seldom reached even one lakh rupees a year.¹³⁷

War Period (1939-40 to 1945-46)

During the war period from 1939-40 to 1945-46, there was little change in the pattern of revenue and expenditure of the province. However, the war and its inflationary consequences brought about an increase in both revenue receipts and expenditure. The wartime developments changed the situation in all the provinces. Revenue expanded rapidly, and all the provinces except Bengal registered surpluses during the war period.

Orissa's revenue increased from Rs 1.8 crore in 1938-39 to Rs. 3.6 crore in 1945-46.

The surpluses, however, did not solve the problems of provincial finance. This was largely due to the adoption of anti-inflationary

¹³⁷ S. Misra, "Orissa Finances". *The Economic Weekly*, 1952, p. 536.

policies of mopping up as much purchasing power as possible and putting off some expenditure to future years. During this period the province received some temporary subsidies from the central Government on agency subjects like press censorship, agency police, National War Front and on certain other functions like publicity, civil defence, etc.

There was however, considerable increase in revenue expenditure under all heads, particularly in the departments dealing with the security services and the war effort. The budgetary position during the war period showed some improvement owing partly to the implementation of the recommendations of the Retrenchment Committee in 1937-38, and partly due to the increase in receipts under income tax, provincial excise, forests, etc.

Compared to the large balances accumulated by other provinces that formed the nucleus of their Post-War Development Funds, the

Table 4.1. Revenue of different Provinces (Rs. in Crore)

Provinces	1938-39	1945-46	Increase in revenue	
	(1)	(2)	(3) = (2/1)	Percent Rise (4) = [(2/1)-1]
Madras	16.1	48.0	3.0	198%
Bombay	12.4	35.0	2.8	182%
Bengal	12.8	37.5	2.9	193%
UP	12.8	30.0	2.3	134%
Punjab	11.2	23.3	2.1	108%
Bihar	5.2	15.2	2.9	192%
CP	4.3	10.6	2.5	147%
Assam	2.6	6.5	2.5	150%
Orissa	1.8	3.6	2.0	100%
Total	80.2	211.7	2.64	164%
Share of Orissa in Total Revenue	2.24%	1.70%		

Note: UP: United Province; CP: Central Province; Source: Misra (1952)

improvement in the revenue balance of Orissa was inconsequential. Although there was considerable expansion in provincial revenue during the war, the extent of expansion varied widely among the different provinces (Table 4.1). During the period from 1938-39 to 1945-46, the share of Orissa in total revenue declined from 2.24 per cent to 1.70 per cent.

Post-War Period (Before Integration: 1946-47 to 1948-49)

From the end of the war until 1949, when the princely states were integrated with the Province, its budgetary position underwent some marked changes in the pattern of revenue and expenditure. Many new taxes were imposed and the rates of the existing taxes were increased. Expenditure on developmental activities showed some increase on account of implementation of the Post-War Development Plan from 1945-46, which was estimated at a total cost of Rs. 37.89 crore.

Various grants and subsidies received from the Centre during the war period were either stopped or incorporated in the Post-War Development Grants. The revenue account of Orissa, which showed a nominal surplus till then, revealed a huge deficit of Rs. 111.18 lakh in 1948-49 for the first time since its formation in 1936. The deficit was primarily due to the first phase of merger on 1st January 1948.¹³⁸ The merger resulted in a setback to the financial position of the province. The revenue receipts could not keep pace with the rising expenditure on the revenue account in spite of the economy drive.

Post Integration Period (1949-50 to 1950-51)

This period begins from the time of the merger of princely states with Orissa in 1949 and ends with the commencement of the 1st Plan in

¹³⁸ S. C. Patnaik, *Orissa Finances in Perspective (1951-52 to 1965-66): A Regional Study of the Finances of Orissa in the Context of a Federal Structure*. New Delhi: People's Publishing House, 1970, p. 6.

1951. Two important events of the time, which had profound influence on the finances of the State, were the Federal Financial Integration, which came into force on 1st August 1949 and the Deshmukh Award that was necessitated by the adoption of the new Constitution on 26th January 1950.

Despite all efforts to improve the State's revenue receipts position, its per capita income was the lowest among the Part-A States. Under the Deshmukh Award, Orissa's share of income tax was increased from two to three per cent. This was only an adjustment of the lapsed percentages consequent upon the partition of India and no new principle was involved in this redistribution. This no doubt improved Orissa's share, but the improvement was insignificant against the aggregate financial needs.

At the time of integration, the expectations of the State Government were latched on to the recommendations of the Indian States Finances Enquiry Committee. The State Government had anticipated that the 'Net Revenue Gap', caused by federal financial integration of the merged areas would be reimbursed. Additionally, a substantial financial relief from the Centre was also hoped for.

The integration entailed an average annual revenue loss for Orissa of about Rs. 21 lakh, while the expenditure on the departments and services taken over by the central Government amounted to about Rs. 2 lakh. The State had to put up with a net loss of revenue to the tune of Rs. 19 lakh. The State had hoped to get the difference of these two amounts, but the Government of India held the view that the 'Net Revenue Gap' would mean not the net amount that the State had lost but the amount that the Centre had gained as a result of the integration.¹³⁹

After the federal financial integration, all the expanding sources of revenue of the merged areas such as income tax, central excise, revenue from post and telegraphs were passed on to the hands of the

¹³⁹ Ibid., p. 7.

Centre. The State was left with inelastic sources of revenue such as agricultural income tax, excise and stamp duties, etc. The immediate effect of the merger was reflected in the State's Revenue Account.

In 1948 and 1949, twenty-four small princely states were merged with Orissa. Consequently, the State became double in area and had more than one and a half times the population of the old province of Orissa. These princely states were small principalities in primitive stage of development. In many of them the standard of administration was poor and the expenditure on social services was extremely less. The level of administration in Orissa was low; but in ex-States it was much lower.

An analysis of the revenues for 1948-49 shows that the State's portion comprising two-thirds of the population of the provincial portion produced only one-third of the revenue. As a consequence of the merger, the State of Orissa had to shoulder greater responsibilities, but the scale of her expenditure was forced down.

The States Enquiry Committee appointed in October 1948 to examine the financial problems arising out of the integration was expected to go through the existing financial structure in the Indian States and suggest measures for revision and improvement. The Committee knew that in the case of mergers, it was necessary to consider the repercussions on the finances of the province concerned. However, this fundamental question was withdrawn from its terms of reference, as it involved elaborate and prolonged enquiry. The existing pattern of expenditure and financial distribution was accepted as the basis, and its recommendations were in fact mere accounting adjustments.

If wartime developments had made the relative financial position of Orissa worse, the merger of the small States dragged down her finances still lower. The financial position of Orissa can be easily gauged from the Table 4.2.

Table 4.2. Per Capita Income of different Provinces (in Rs.)

Provinces	1948-49	1949-50	1950-51	1951-52
Assam	10.1	11.3	10.8	10.5
Bihar	5.7	6.4	6.8	6.2
Bombay	13.8	17.1	18.1	16.3
Madras	9.3	9.8	10.4	10.5
MP	8.1	13.4	13.2	13.1
Punjab	7.7	8.8	8.2	9.7
UP	7.7	8.8	8.2	9.7
West Bengal	12.8	13.7	13.9	13.7
Orissa	4.2	7.4	7.7	7.2
Average	8.8	10.7	10.8	10.8

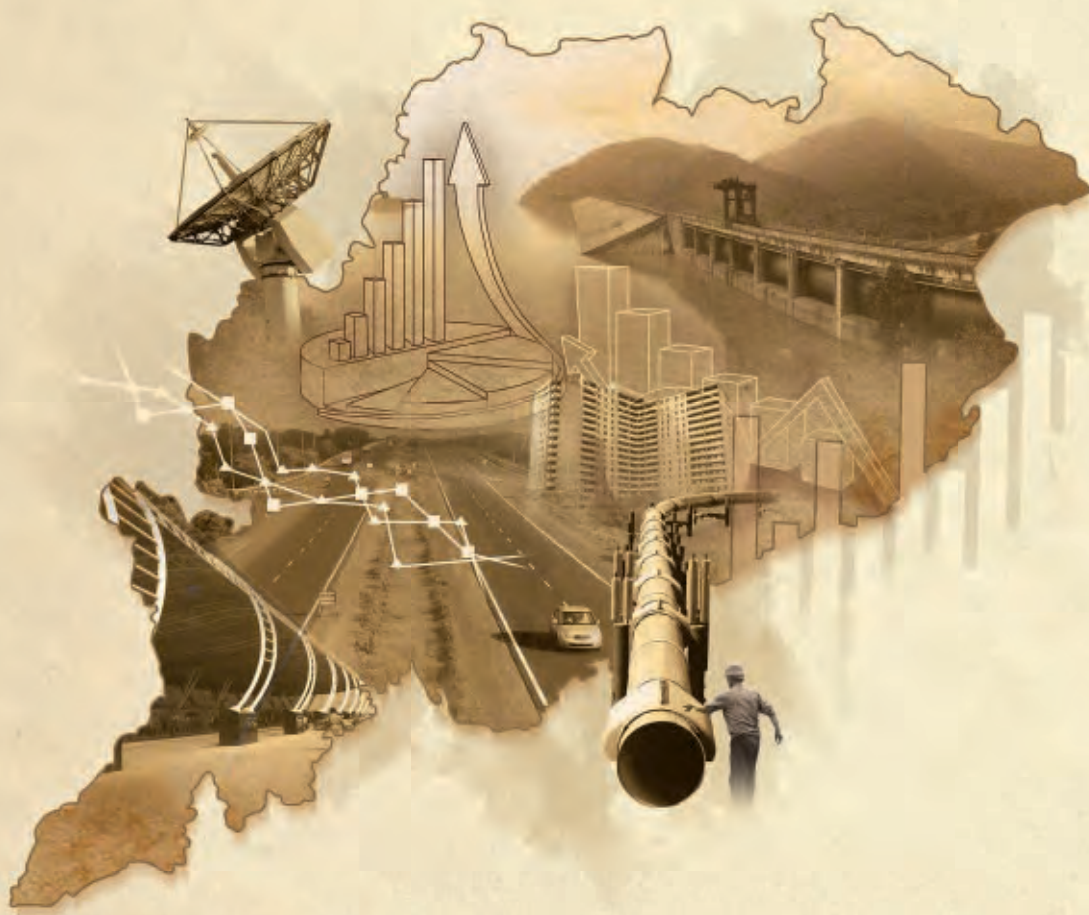
Source: Misra (1952)

The low per capita income of Orissa province reflects the low taxable capacity of the people. Therefore, revenue generation in the province was also low. Table 4.3 presents the tax revenue of the provinces relative to the income in 1938-39 and 1949-50. The revenue generated from land revenue is also presented separately for the year 1938-39.

Table 4.3. Tax Revenues in various Provinces

Province	Revenue / Income 1938-39 (%)	Revenue / Income 1949-50 (%)	Land Revenue / All Taxes 1938-39 (%)
Madras	4.3	3.5	44
Bombay	5.2	4.6	38
Central Provinces	3.0	3.0	65
United Provinces	4.0	3.8	64
Bihar	3.4	3.2	34
Assam	4.1	3.0	61
Orissa	3.2	3.5	45
East Punjab	5.9	3.5	56
West Bengal	4.4	8.2	31
All India	4.0	4.2	46

Source: Natarajan (1949)



Section – II

State Finances in Planning Era



The macroeconomic performance and the financial position of a state has several implications. It reflects the standard of living of the people and the discretion of the Government to undertake various developmental activities in the state. Bearing this fact in mind, this section presents some basic facts about the development of the financial position of the State since the 1st Plan period with a short review of the economy. This section depicts the macroeconomic performance of the State and the structure of the economy during inter-Plan periods. However, the focus of this chapter is the analysis of State finances during the Plan periods.

Analysis of Economic Growth

The role of economic growth in income and wealth re-distribution and generating opportunities for everyone in that redistribution cannot be overstated.¹⁴⁰ Swift, sustainable, and all-inclusive growth requires a robust macroeconomic foundation to usher fiscal prudence and a reliable medium term fiscal framework.¹⁴¹ To set the context for the broader thematic and policy discussion, it is imperative to analyze the economic growth.

The Compound Annual Growth Rate (CAGR) of Gross State Domestic Product (GSDP) for various Plan periods is delineated in Table 4.4. During the first three Plan periods, the growth fluctuated between 2-3 per cent. However, it improved to 5.36 per cent and further to 8.03 per cent during the Annual Plan of 1966-69 and the 5th Plan Period respectively. The growth in GSDP and per capita income declined in the 4th Plan Period because of a politically unstable situation in the State. During the Annual Plan 1978-80, a negative CAGR in both GSDP and per capita GSDP was witnessed because a severe drought had impacted the production in agriculture sector. The growth was

¹⁴⁰ J. Bhagwati and A. Panagariya, *Why Growth Matters: How Economic Growth in India Reduced Poverty and the Lessons for Other Developing Countries*. New York: PublicAffairs, 2013.

¹⁴¹ Planning and Coordination Department, Government of Odisha, *Odisha Economic Survey 2014-15*.

subdued in the 6th Plan Period because of flood, drought, tornado and cyclone. The CAGR rebounded to 9.80 per cent during the Annual Plan 1990-92 and further to 11 per cent during 10th Plan respectively. This rise was attributed to the growth in Agriculture, Industry and Services sectors. The highest growth in GSDP and per capita GSDP, on compound average basis, is observed in the 10th Plan period.

Table 4.4. Compound Annual Growth Rate (CAGR) of GSDP

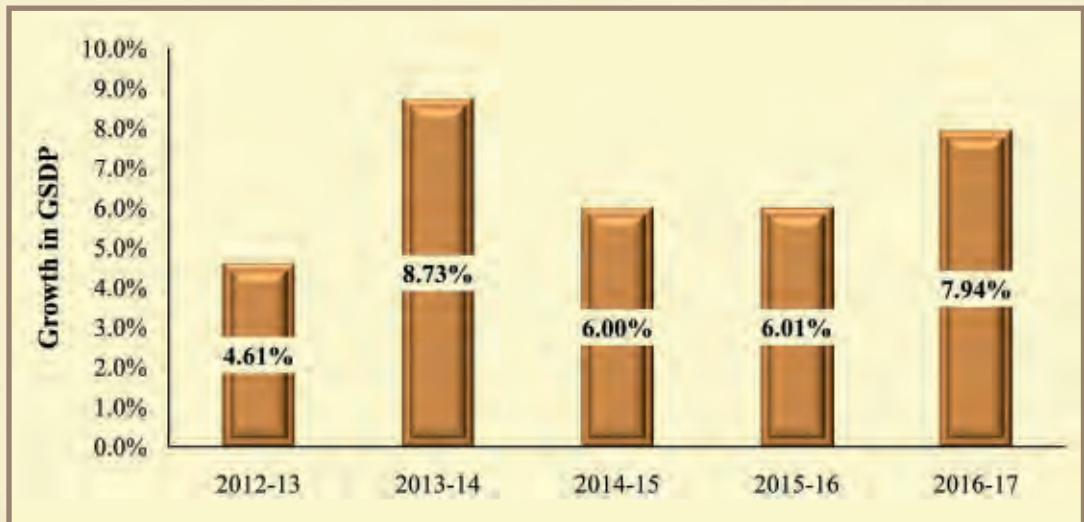
Plan	CAGR GSDP	Per capita GSDP
1 st Plan	2.13%	0.21%
2 nd Plan	2.54%	0.74%
3 rd Plan	3.64%	1.22%
Annual Plan (1966-69)	5.36%	3.10%
4 th Plan	2.52%	0.38%
5 th Plan	8.03%	6.03%
Annual Plan (1978-80)	-12.09%	-13.50%
6 th Plan	1.94%	0.17%
7 th Plan	5.60%	3.67%
Annual Plan (1990-92)	9.80%	7.87%
8 th Plan	2.84%	1.24%
9 th Plan	3.56%	2.17%
10 th Plan	11.00%	9.55%
11 th Plan	6.06%	4.67%
12 th Plan*	7.16%	6.09%

Source: Compiled from Economic Survey, Government of Odisha (various issues)

* For the 12th Plan, GSDP is taken at constant (2011-12) prices, however for the rest of the plans it is at constant (2004-05) prices.

The recent trends in growth rate in GSDP (at 2011-12 Base)¹⁴² for the period 2012-13 to 2016-17 are presented in Chart 4.1.

¹⁴² The Base Year for GSDP calculation has changed from 2004-05 to 2011-12 since 2011-12 onwards.

Chart 4.1. Trends in Growth in GSDP

*Source: Compiled from Economic Survey, Government of Odisha (various issues) *GSDP at 2011-12 prices*

In the beginning of the 12th Plan period, i.e. in 2012-13, growth in GSDP at 4.61 per cent, sharply increased to 8.73 per cent in 2013-14. After subdued growth in two consecutive years during 2014-15 and 2015-16, it revived to 7.94 per cent in 2016-17. This compares well with the national growth at 7 per cent.

Sectoral Composition

The change in relative contribution of various sectors to GSDP is indicative of the structural changes happening in the economy. Over the Plan periods the share of Agriculture & Allied Activities (crops, livestock, forestry and logging, fishing and aquaculture), Industry (mining and quarrying, manufacturing, electricity, gas, water supply and construction) and Services Sector (trade, repair, hotels and restaurants, financial services, real estate, ownership of dwelling & professional services, public administration, other services) in GSDP have changed significantly.

Table 4.5. Composition of GSDP by Sectors (Percentages)

Plan	Agriculture	Industry	Services
1 st Plan	40.94%	9.06%	50.01%
2 nd Plan	35.54%	10.21%	54.25%
3 rd Plan	37.91%	11.46%	50.63%
Annual Plan (1966-69)	42.50%	11.18%	46.31%
4 th Plan	43.00%	11.32%	45.68%
5 th Plan	38.52%	14.35%	47.13%
Annual Plan (1978-80)	36.04%	15.70%	48.25%
6 th Plan	42.79%	12.13%	45.08%
7 th Plan	38.49%	14.91%	46.59%
Annual Plan (1990-92)	33.03%	16.33%	50.64%
8 th Plan	32.56%	17.36%	50.07%
9 th Plan	29.10%	17.07%	53.82%
10 th Plan	24.15%	21.89%	53.97%
11 th Plan	20.66%	30.46%	48.87%
12 th Plan	20.32%	38.45%	41.24%

Source: Compiled from Economic Survey, Government of Odisha (various issues)

It is observed from Table 4.5 that the share of Agriculture & Allied activities has declined steadily over the Plan periods, starting at 40.94 per cent in 1st Plan period and ending at 20.32 per cent in 12th Plan period. The share of Industry has increased from 9.06 per cent in 1st Plan period to 38.45 per cent in 12th Plan period. A sharp rise in the share of Industry is witnessed in 11th and 12th Plan periods. Though the share of Services Sector has declined from 50 per cent in 1st Plan period to 41.24 per cent in 12th Plan period, the contribution of Services Sector has always remained the highest.

Sound State Finances are crucial for achieving overall fiscal consolidation and macroeconomic stabilization.¹⁴³ Therefore, it is

¹⁴³ J. Daniel, J. Davis, M. Fouad, and C. V. Rijckeghem, "Fiscal Adjustment for Stability and Growth". *International Monetary Fund*, Pamphlet Series, No. 55.

pertinent to examine the State's fiscal position over the Plan periods to see if there are lessons for the State's future fiscal course. Hence, an analysis of the State Finances is made taking into account the relevant fiscal parameters since the 1st Plan period.

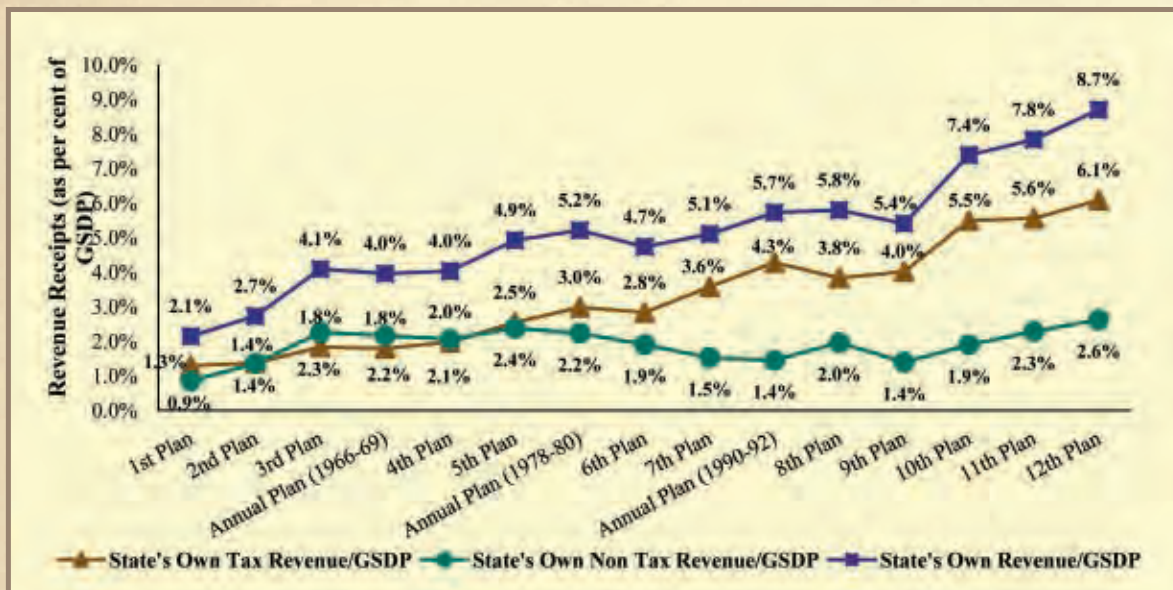
Fundamental to sound Public Finance is the generation of revenue for financing of expenditure. Therefore, choices are to be made about how the Government should raise revenue to finance its activities in such a manner that revenue generation results in inclusive growth. Hence, it is very important to decide the optimal mix of revenue sources for the Government. In this backdrop, the analysis of Revenue Receipts of the State is presented from the commencement of the First Plan.

Analysis of Revenue Receipts

Revenue receipts of the State Government consist of revenue from its own resources and receipts from the Centre. Further, State's Own Revenue (SOR) is composed of State's Own Tax Revenue (SOTR) and State's Own Non-Tax Revenue (SONTR). The other receipts are Share in central taxes and Grants-in-aid received from Government of India. The State's share in Central taxes is an untied transfer that gives greater autonomy and flexibility to the State in financing expenditure according to its priorities, whereas Grants-in-aid are broadly tied up transfer of funds that give less flexibility to the State for spending.

The trends in SOR as well as its components as percentage of GSDP are depicted in Chart 4.2. SOTR as percentage of GSDP was less than 5 per cent prior to the 10th Plan period. In the 10th Plan-period, it broke out of the 5 per cent barrier and reached at 6.1 per cent in the 12th Plan period. This shift in the SOTR relative to GSDP (rise in tax efficiency) is attributed to the reforms and better tax administration.

**Chart 4.2. Trends in State's Own Revenue Receipts
(Per cent of GSDP)**



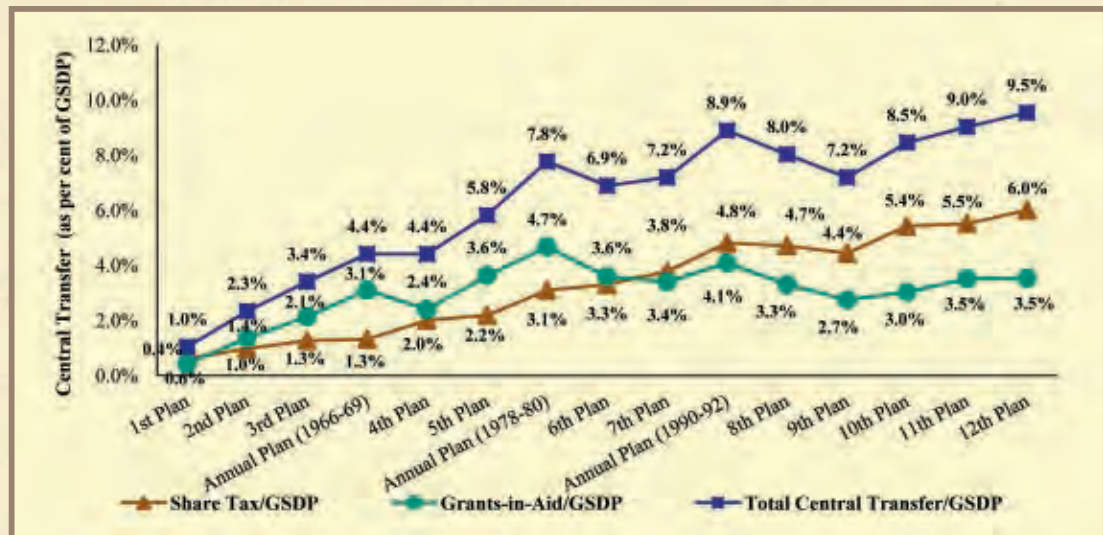
Source: Compiled from Finance Accounts, Government of Odisha (various issues)

Efficiency in Non-Tax Revenue is represented by SONTR relative to GSDP. The efficiency in the non-tax revenue has followed a cyclical pattern through different Plan periods. It showed an increasing pattern from 1st Plan period to 5th Plan period, followed by a declining trend up to the 3rd Annual Plan period (1990-92). Since the 9th Plan period it has been on the rise. This rise is attributed to buoyancy in the revenue from non-ferrous mining and metallurgical industries.

The percentage of SOR to GSDP and SOTR to GSDP has witnessed an upward trend consistently. An upward break is observed in the 9th Plan period for both SOR and SOTR ratio. In the 12th Plan period, SOR to GSDP and SOTR to GSDP ratio peaked at 8.7 per cent and 6.1 per cent respectively. Hence, from the past trend, it can be deduced that the State's Own Revenue is mainly contributed by the State's Own Tax Revenue. This rise in SOTR is mainly attributable to higher buoyancy in Sales Tax, Excise Duty and Stamp & Registration fee.

The trends in Central Transfers as percentage of GSDP are presented in Chart 4.3. The percentage of Shared Tax to GSDP increased steadily till the 3rd Annual Plan period (1990-92) and then it declined in both the 8th and the 9th Plan periods. The 10th Plan period witnessed a sustained rise, which remained at 6 per cent in the 12th Plan. The receipts on account of Grants-in-aid as a percentage of GSDP have fluctuated between the 1st Plan and 9th Plan periods. In the 2nd Annual Plan period (1978-80), it was at its highest at 4.7 per cent before declining to 2.7 per cent in the 9th Plan period. Afterwards, the share of Grants-in-aid in GSDP has followed an upward trend with 3.5 per cent in the 12th Plan period.

**Chart 4.3. Trends in Central Transfers to State
(Per cent of GSDP)**



Source: Compiled from Finance Accounts, Government of Odisha (various issues)

No definite pattern is observed in case of Central Transfers as a percentage of GSDP during the 1st Plan to 9th Plan periods. Since the 9th Plan, it has increased consistently. One noteworthy observation from the chart is that between the 2nd and 5th Plan periods, Central Transfers were mainly driven by Grants-in-aid. However, in the subsequent Plans, Shared tax constitutes major share in Central Transfers indicating greater untied transfer of funds to State.

Components of State's Own Tax Revenue (SOTR)

Sales Tax and State Excise Duty are the major contributors to the SOTR in all the Plan periods since independence. In the 12th Plan, they contributed around 72 per cent to the kitty. Since the 1st Plan period, their average contribution to SOTR has been 56.6 per cent.

A continuous decline in Land Revenue is observed since 3rd Plan Period (Table 4.6). Land Revenue contributes to around 23 per cent

Table 4.6. Composition of State's Own Tax Revenue (Percentage)

Plan	Prof. Tax	Land Rev.	Stamps & Reg.	State Excise	Sales Tax	M.V. Tax	Entry Tax	Elect. Duties	Other	SOTR
1 st Plan	-	22.8%	15.1%	31.4%	25.2%	3.1%	-	0.05%	2.3%	100%
2 nd Plan	-	28.7%	10.3%	16.0%	32.1%	10.0%	-	0.3%	2.5%	100%
3 rd Plan	-	17.8%	8.3%	12.4%	45.4%	9.1%	0.8%	4.4%	1.9%	100%
Annual Plan (1966-69)	-	8.0%	8.2%	13.3%	51.2%	9.3%	0.2%	8.0%	1.9%	100%
4 th Plan	-	5.4%	8.4%	12.9%	52.2%	8.7%	2.4%	8.1%	1.9%	100%
5 th Plan	-	5.2%	7.2%	8.9%	56.3%	7.8%	2.9%	9.4%	2.3%	100%
Annual Plan (1978-80)	-	4.8%	6.5%	7.1%	57.5%	7.3%	2.6%	11.6%	2.4%	100%
6 th Plan	-	6.3%	6.1%	7.5%	57.4%	7.5%	2.1%	13.8%	-0.7%	100%
7 th Plan	-	9.2%	5.7%	7.1%	53.9%	8.8%	0.2%	13.8%	1.3%	100%
Annual Plan (1990-92)	-	7.9%	4.9%	7.5%	55.8%	8.3%	0.01%	14.8%	0.7%	100%
8 th Plan	-	3.3%	5.5%	7.2%	62.9%	9.9%	0.0%	10.7%	0.5%	100%
9 th Plan	-	3.1%	5.2%	7.2%	62.0%	9.0%	5.2%	7.0%	0.6%	100%
10 th Plan	1.4%	2.9%	4.6%	7.6%	59.4%	8.0%	9.9%	5.9%	0.4%	100%
11 th Plan	1.2%	3.8%	4.5%	9.3%	60.5%	6.4%	9.3%	4.5%	0.5%	100%
12 th Plan	0.8%	2.7%	5.3%	11.1%	60.5%	4.9%	8.4%	6.0%	0.2%	100%

Source: Compiled from Finance Accounts, Government of Odisha (various issues)

All taxes and duties are presented as percentage contribution to SOTR

Note: Prof. Tax: Professional Tax; Land Rev.: Land Revenue; Stamps & Reg.: Stamps and Registration Fee; Elect. Duties: Taxes and Duties on Electricity; Other: Forest Development Tax, Entertainment Tax, Luxury Tax etc. SOTR: State's Own Tax Revenue

of the kitty in 1st Plan period. It declined to a mere 2.7 percent in 12th Plan. A similar pattern is also observed in case of the share of Stamps and Registration fee. Its share has declined from 15.1 per cent in 1st Plan period to a mere 5.3 per cent in the 12th Plan period.

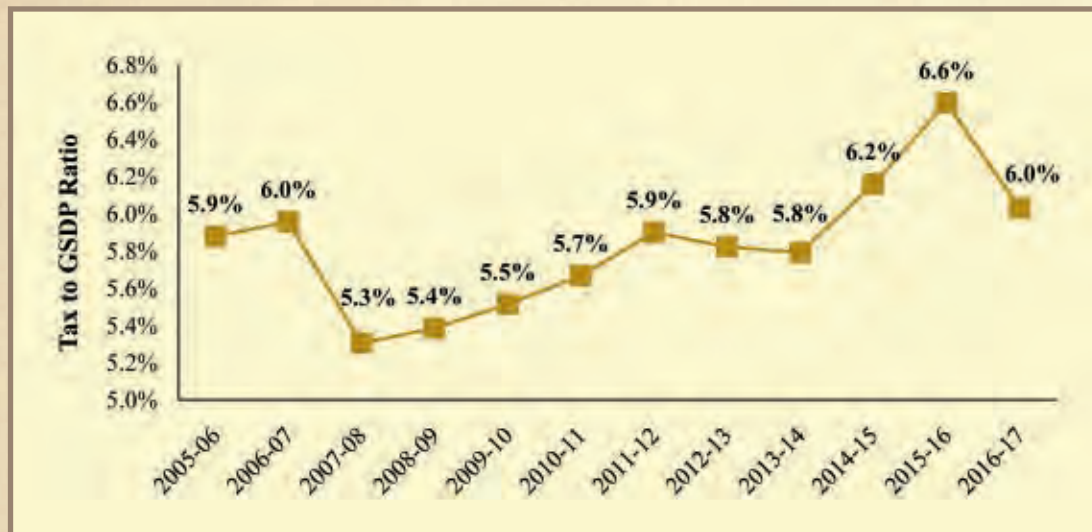
The State should strive to augment Own Revenue towards ensuring greater flexibility in using the resources for productive purposes. Augmentation of SOR helps in greater decentralization of expenditure which are growth inducing. Besides, it addresses the problem of fiscal imbalances of the State. Considering the fact that contribution of tax revenue is relatively higher than the contribution of non-tax revenue in the State, the revenue generation from SOTR is of greater priority for the State. The key to raising more resources through SOTR is through improvement of tax efficiency of the State. Tax performance of a State is often judged from the tax efficiency.¹⁴⁴ In this context, the Tax Efficiency of the State is analyzed.

State's Own Tax Efficiency

The Tax Efficiency is usually measured by Tax to GSDP ratio. The GSDP is taken as the base because the economic activities on account of growth in GSDP generate tax revenue. The tax efficiency has improved from 5.3 per cent in 2007-08 to 6.6 per cent in 2015-16 (Chart 4.4). Better tax administration and buoyancy in tax collection have resulted in higher tax efficiency in the State.

¹⁴⁴ Finance Department, Government of Odisha, *Report of the Expert Committee on Revenue Enhancement Measures*, 2011, p. 12.

Chart 4.4. Estimates of Tax Efficiency, 2005-06 to 2016-17 (Per cent)



Source: Compiled from Finance Accounts, Government of Odisha (various issues)

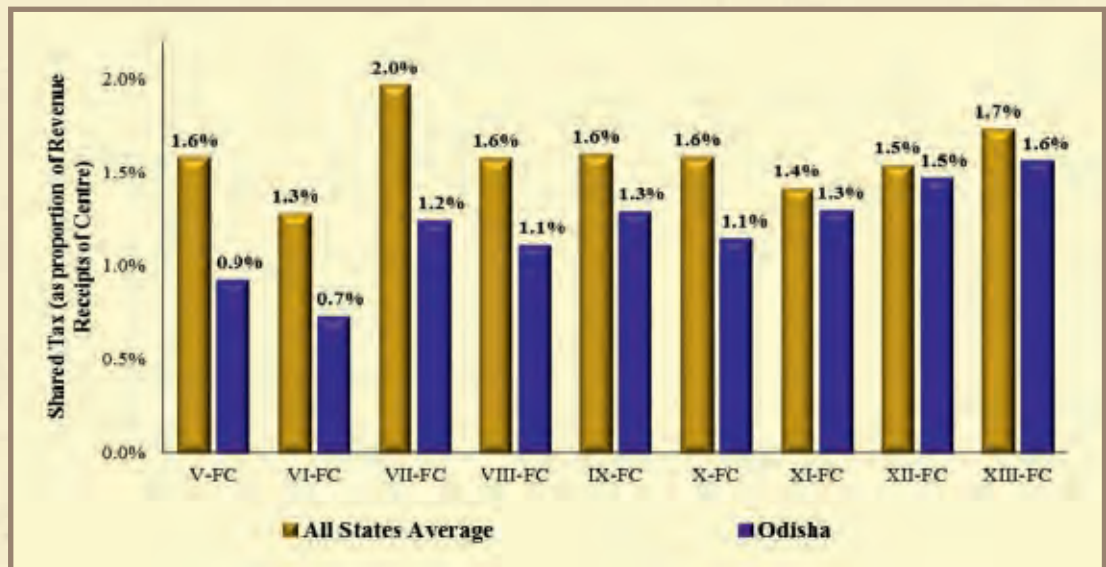
Central Transfers to Odisha vis-à-vis Non-Special Category States

The Finance Commission (FC) is a constitutional body that addresses issues of vertical and horizontal imbalances of federal finances in India. It decides the proportion of tax revenue to be shared with the states and the principles governing the grants-in-aid of the revenue of the states. Vertical imbalances refer to the mismatch between the revenue raising capacity and expenditure needs of the Centre and the states. Horizontal imbalances exist because of the inability of some states to provide comparable services due to inadequate capacity to raise funds.¹⁴⁵ The Finance Commission augments the Consolidated Fund of the states to narrow down both vertical and horizontal imbalances. So far, fourteen Finance Commissions have been constituted. The 14th Finance Commission's recommendations will cover the period from 2015-20.

¹⁴⁵ Reserve Bank of India, *State Finances: A Study of Budgets of 2010-11*, March 2011, p. 59.

The Shared Tax as percentage of total Revenue Receipts of the Centre is compared with the average of Non Special Category (NSC) States of India from 5th FC period onwards. The transfers to all NSC States is averaged to make a comparable assessment. The Shared Tax ratio for Odisha has been lower than the average of NSC States in all Finance Commission periods (Chart 4.5).

Chart 4.5. Shared Tax to Odisha vis-à-vis NSC States*

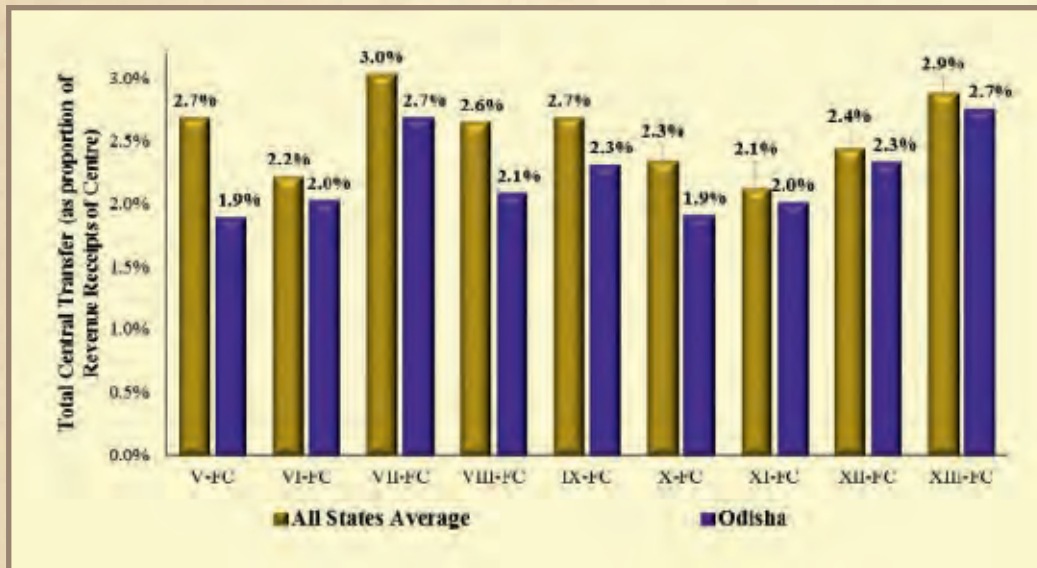


Source: Compiled from Budget at a Glance, Government of Odisha (various issues) *Shared Tax to Odisha / NSC States as percentage of Total Revenue Receipts of the Centre.

The Central Transfers include shared tax as well as grants from Centre. The Central Transfers to the State as percentage of Total Revenue Receipts of the Centre is compared with that of the average of NSC States since 5th FC period. It is observed that the total Central Transfers to the State have been lower than that of the average of NSC States (Chart 4.6).¹⁴⁶

¹⁴⁶ The comparison is made since 5th FC period because of unavailability of data for previous commission periods.

Chart 4.6. Central Transfers to Odisha vis-à-vis NSC States*



Source: Compiled from Budget at a Glance, Government of Odisha (various issues)

* Central Transfer to Odisha / NSC States as percentage of Total Revenue Receipts of the Centre.

Analysis of Expenditure

Sustained and equitable economic growth is clearly the predominant objective of public expenditure policy. Many public programs are specifically aimed at promoting sustained and equitable economic growth. Public expenditure plays an important role in physical and human capital formation. Effective public expenditure is growth inducing, even in the short run, when limits to infrastructure or skilled manpower become a constraint to an increase in production. The efficiency in public expenditure lies in inducing inclusive growth by reducing inequality, curbing poverty, improving health and education standards of people and bridging infrastructural bottlenecks.

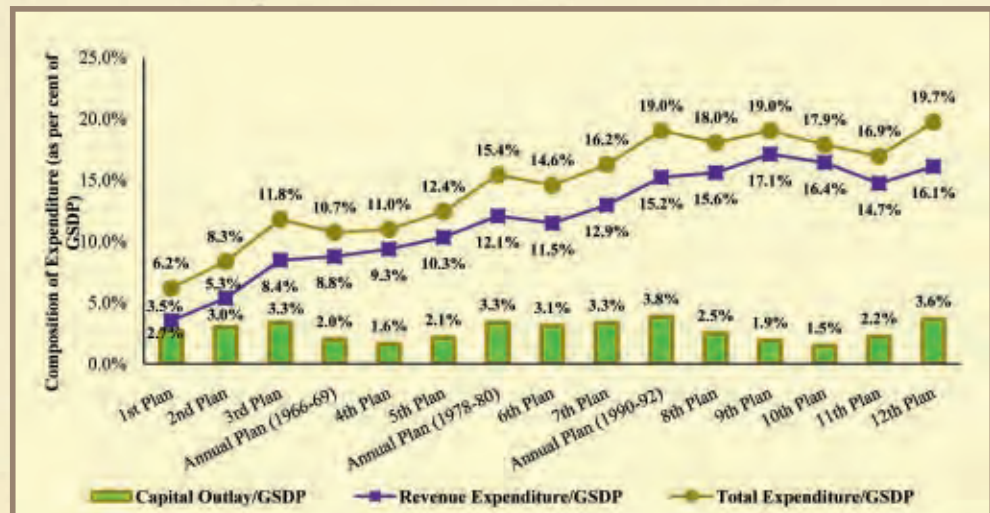
The trends in total public expenditure of Consolidated Fund are analyzed since the 1st Plan period. Further, the total public expenditure is disaggregated into Revenue & Capital Accounts, Plan & Non-Plan, Developmental & Non-Developmental, for further evaluation. This classification is reflective of the fact that the composition of expenditure is instrumental in shaping the economy of the State.

Trends in Total Expenditure

Total Expenditure as percentage of GSDP has increased from 6.2 per cent during the 1st Plan period to a peak of around 20 per cent during the 12th Plan period. The trend in revenue expenditure as percentage of GSDP has exhibited similar pattern. Subsequent to a fluctuating trend, a sustained rise in the capital outlay ratio is observed since the 10th Plan period.

The decline in total expenditure ratio in the 10th Plan period is because of compression in both revenue expenditure and capital outlay ratio. However, in 11th Plan, the compression in total expenditure is due to the decline in revenue expenditure only (Chart 4.7).

Chart 4.7. Trends in Total Expenditure (Per cent of GSDP)



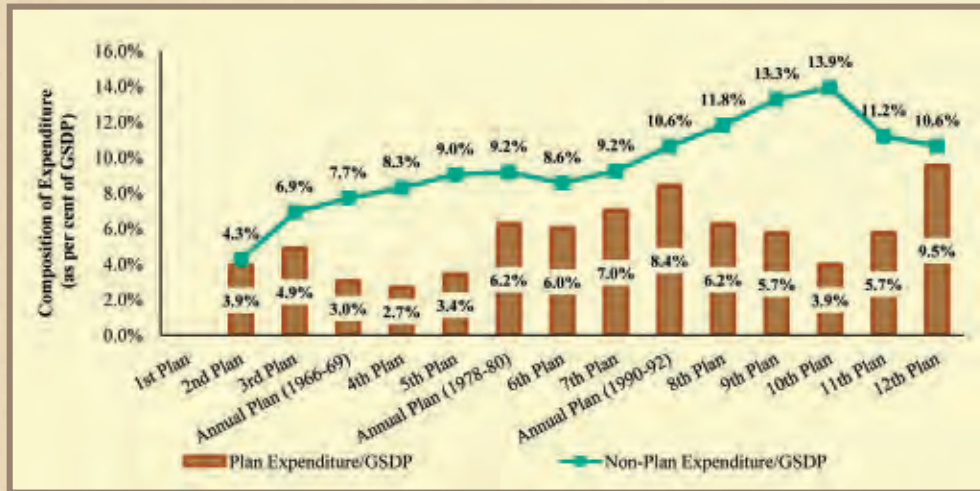
Source: Compiled from Budget at a Glance, Government of Odisha (various issues)

Plan and Non-Plan Expenditure

The Non-Plan expenditure as a proportion of GSDP has consistently increased till 10th Plan period. Thereafter, it has declined. This has been mainly due to compression in non-plan expenditure items such as salary, pension and interest payments. The Plan Expenditure has fluctuated over the years. The Plan expenditure has increased over 11th Plan and 12th Plan periods because of higher plan financing in

Social and Economic services sectors (Chart 4.8). The gap between Non-Plan and Plan expenditure has narrowed down during 11th and 12th Plan.

Chart 4.8. Plan & Non-Plan Expenditure (Per cent of GSDP)



Source: Compiled from Budget at a Glance, Government of Odisha (various issues)

Developmental and Non-Developmental Expenditure

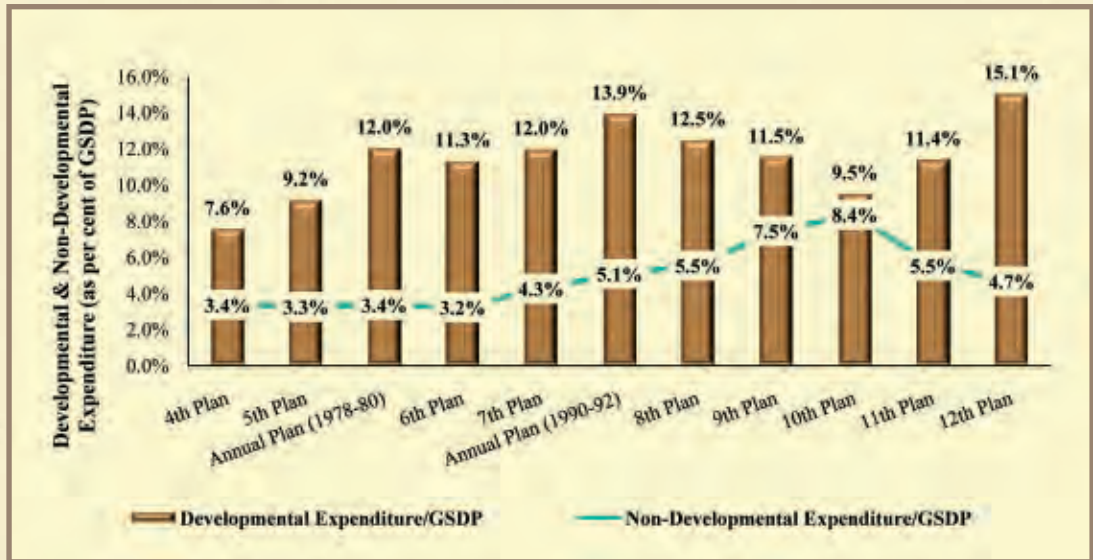
The quality of expenditure is the key to fiscal consolidation. It helps in reaping efficiency and welfare gains while smoothing the effects of fiscal adjustment. Empirical analysis indicates that expenditure on social and physical infrastructure can have growth augmenting effects.¹⁴⁷ States need to prioritize expenditure on physical and social infrastructure and economize on non-essential heads.

Developmental expenditure¹⁴⁸ as percentage of GSDP has increased from 7.6 per cent in the 1st Plan period to 15.1 per cent in the 12th Plan period. The Non-Developmental expenditure has increased from the 1st Plan period to the 10th Plan period, and during 11th and 12th Plan period there is a sharp decline. A surge in Developmental expenditure is witnessed during the 11th Plan and the 12th Plan period. This reflects the State's commitment to improve the quality of expenditure (Chart 4.9).

¹⁴⁷ Reserve Bank of India, *State Finances: A Study of Budgets of 2015-16*, March 2016, p. 3.

¹⁴⁸ Developmental expenditure includes expenditure in both Social and Economic Services sectors. Non-Developmental expenditure is expenditure in General Service sector.

Chart 4.9. Developmental & Non-Developmental Expenditure (Per cent of GSDP)



Source: Compiled from Budget at a Glance, Government of Odisha (various issues)

There is a need for the creation of fiscal space for development of critical infrastructure and achievement of human development levels envisaged in the UN Millennium Development Goals. In its broadest sense, fiscal space can be defined as the availability of budgetary room that allows a Government to provide resources for desired purposes without any prejudice to the sustainability of a Government's financial position.¹⁴⁹ The creation of fiscal space and the sustainability of the fiscal position of the State can be traced by analyzing the deficit indicators and debt indicators of the State Finances.

Analysis of Key Deficit Indicators

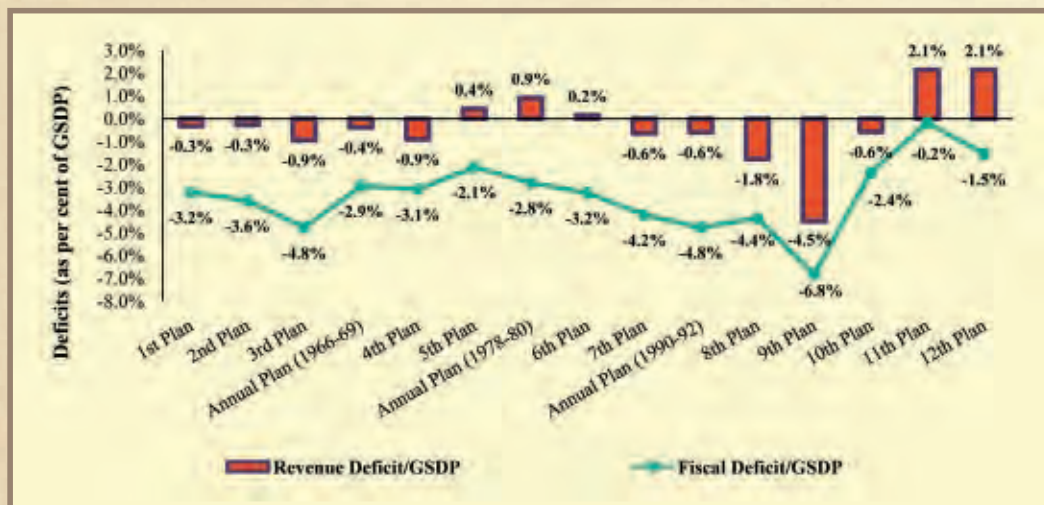
Deficit in revenue account is witnessed till the 10th Plan period, except in 5th Plan period, the Annual Plan in 1978-80 and the 6th Plan period. Revenue surplus¹⁵⁰ is recorded both in the 11th Plan and the 12th Plan

¹⁴⁹ Finance Department, Government of Odisha, *Report of the Expert Committee on Revenue Enhancement Measures*, 2011, p. 20.

¹⁵⁰ Revenue Surplus has been registered from 2005-06 onwards.

period. Revenue Surplus is due to the rise in revenue receipts coupled with the decline in revenue expenditure. Both revenue deficit and fiscal deficit ratios (relative to GSDP) have peaked in the 9th Plan period. From the 10th Plan onwards, fiscal deficit ratio has shown a downward trend. In fact, a fiscal surplus situation is witnessed in 2011-12 and 2012-13. The fiscal deficit ratio and continuing revenue surplus ratio in the 12th Plan have created fiscal space for the State which has resulted in higher capital outlay in Developmental Sectors (Chart 4.10).

Chart 4.10. Revenue and Fiscal Deficit Ratios (Per cent to GSDP)

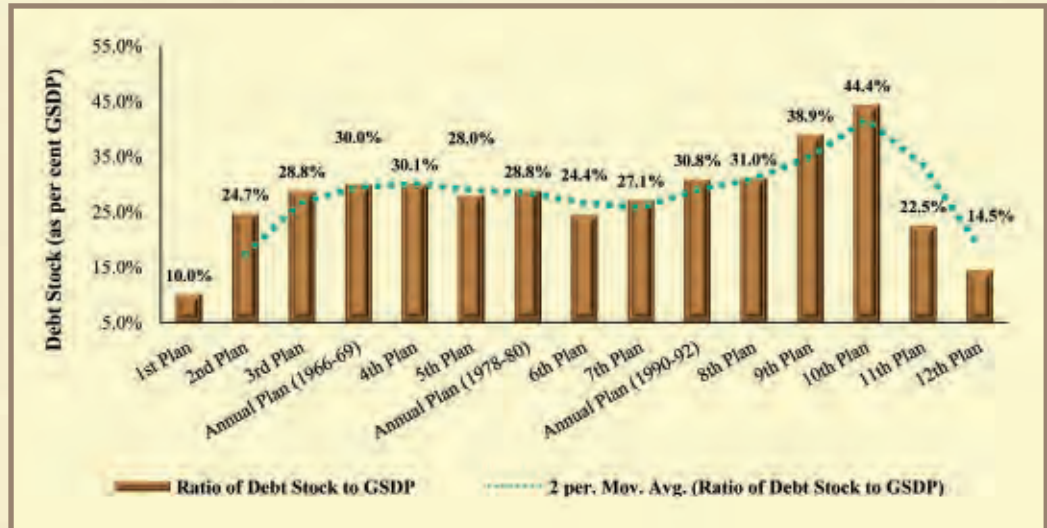


Source: Compiled from Budget at a Glance, Government of Odisha (various issues)

Analysis of Debt Stock and Debt Servicing Ratios

The Debt Stock ratio (relative to GSDP) and Debt-Servicing ratio (relative to total revenue receipts) are two important fiscal parameters, determining the feasibility of debt sustainability and its solvency. The Debt Stock ratio represents the debt burden and debt servicing ratio represents interest payment burden of the State. The outstanding debt as a percentage of GSDP increased from 10 per cent in the 1st Plan period to the peak of 44.40 per cent in the 10th Plan period. However, there was a sharp decline in the Debt Stock ratio during the 11th and 12th Plan period (Chart 4.11).

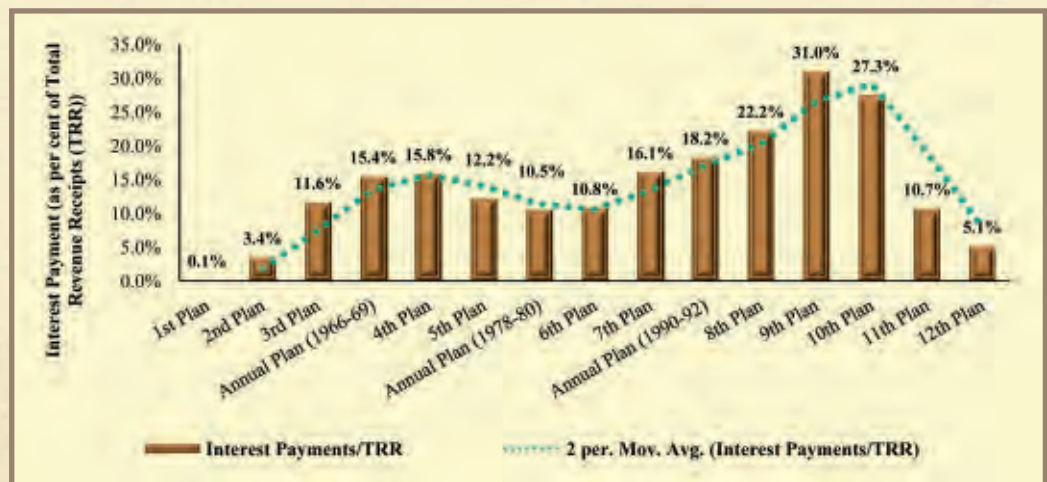
Chart 4.11. Debt Stock (Per cent of GSDP)



Source: Compiled from Budget at a Glance, Government of Odisha (various issues)

The Debt Servicing ratio (interest payments as percentage of Total Revenue Receipts) also followed a similar pattern like the debt ratio. The Debt-Servicing ratio increased phenomenally from 0.1 per cent in 1st Plan period to a peak of 31 per cent in the 9th Plan period. From 10th Plan period, the ratio has shown a declining trend to reach to the level of 5.1 per cent during the 12th Plan period (Chart 4.12).

Chart 4.12. Interest Payment (Per cent of TRR)



Source: Compiled from Budget at a Glance, Government of Odisha (various issues)

Fiscal Consolidation Process

The fiscal situation of the State deteriorated from revenue surplus in the early 1980s to persistent deficits by mid-1980s, and the revenue and fiscal deficits reached a peak around the turn of the century. From a revenue surplus of 2 per cent of GSDP in 1980-81, the State became revenue deficit to the extent of 6.06 per cent of GSDP at the end of the year 2001-02. The primary deficit also deteriorated severely over the years. The fiscal imbalance manifested in severe liquidity crunch. The State Government depended heavily on Ways and Means Advances and Overdrafts from Reserve Bank of India for day to day cash requirements. Payment through treasuries was rationed. Availability of funds for works expenditure was severely restricted. The State was characterized as a State under severe fiscal stress by the 10th Finance Commission. This affected the growth of the State's economy as the ability to provide funds for capital investment and maintenance of capital assets was seriously eroded. The Plan outlay of the State Government also remained stagnant over a long period.¹⁵¹

The State Government decided to initiate broad based fiscal reform measures through public consultations. Two White Papers were published, one in July, 1999 and another in March, 2001 to inform the public about the fiscal problems of the State and to decide on the corrective measures required to tide over the situation. This was followed by widespread consultation with all the stakeholders through State level and Regional workshops.

Two Memorandums of Understanding were signed with the Government of India in 1999 and 2001 to implement an agreed set of reform measures.¹⁵² Under the 11th FC recommendations and conditions laid out in the MoUs with the Central Government, the State Government committed itself to implement the specific fiscal measures, e.g., 'Fiscal and Governance Reforms Programme' which aimed at strengthening the financial situation of the State. The central

¹⁵¹ Finance Department, Government of Odisha, *Report of the Expert Committee on Revenue Enhancement Measures*, 2011, p. 2.

¹⁵² *Ibid.*, p. 2.

theme of the fiscal reforms programme was the preparation of a Medium Term Fiscal Framework (MTFF) indicating the outcomes of the reforms measures in terms of the monitorable fiscal indicators. Annual targets were set in terms of these indicators for each year of the medium term period.

The State took corrective measures primarily to prune the revenue expenditure. The immediate policy measure of the State has been to reduce the burden of interest payment through prepayment of high cost market borrowing and also through debt swaps. Between 2002-03 and 2004-05, high cost debt amounting to Rs. 2543.62 crore was swapped against low cost debt which resulted in interest relief of Rs. 144.47 crore. On the basis of 12th Finance Commission recommendations, the State Government legislated the Odisha Fiscal Responsibility & Budget Management (FRBM) Act, 2005 which came into force with effect from 14th June 2005. The enactment of the Orissa FRBM legislation, 2005 provided a rule based framework for the fiscal consolidation process in Orissa. The FRBM Act, 2005 and the recommendation from the finance commissions, collectively guide the management of State finances. After the enactment of FRBM Act, the debt sustainability indicators improved and the State was able to get out of the debt trap situation.¹⁵³ During the year 2006-07, pre-payment of high cost market borrowing amounting to Rs. 394.61 crore was made followed by another tranche of amount Rs. 356.16 crore in the year 2007-08. In 2012-13, the third tranche of prepayment of high cost loans of Rs. 575.28 crore was effected which resulted in a relief of interest payment to the tune of Rs. 55.24 crore.

The 12th FC re-priced the central loan at 7.5 per cent on account of rescheduling of consolidated central loan contracted up to 31st March 2004. The 13th FC recommended that the interest rate on loans from the National Small Savings Fund (NSSF) to the States, contracted up to 2006-07, would be re-priced at 9 per cent from FY 2010. All

¹⁵³ T. K. Sen and S. K. Rout, "The Impact of Fiscal Adjustments in Odisha". In P. B. Nayak., S. C. Panda., & P. K. Pattnaik. (Ed.), *The Economy of Odisha: A Profile*. New Delhi: Oxford University Press, 2016, pp. 481-496.

these factors contributed to a decline in the cost of borrowing and interest payment liability. The State Government policy for debt restructuring through debt swap, prepayment of high cost borrowing and adhering to need-based borrowing have contributed to the sharp decline in debt stock during the 11th and 12th Plan period. Through all these efforts, the debt stock ratio of 44 per cent in the 10th Plan period, declined to 14.5 per cent in the 12th Plan period. Further, debt servicing ratio of 31 per cent in the 9th Plan period, declined to 5.1 per cent in the 12th Plan period.

With the improvement in fiscal situation, the State's dependence on borrowing for financing of State Plan outlay has come down very significantly. In 2002-03, the net borrowing to the State Plan Outlay ratio was at 1.52 times. It declined to 0.25 times in 2015-16 implying that more non-debt receipts were financing the State Plan as compared to the debt financing of State Plan in previous years.

In pursuance of the recommendation of the 11th FC and guidelines framed by RBI, the State constituted a Consolidated Sinking Fund in 2003-04 to be utilized as an amortization fund for redemption of liability arising out of Open Market Borrowing and other borrowings. The scope of this fund is being extended to cover all repayment liabilities in future including market borrowing as per the recommendation of the 12th FC. The State has also constituted a Guarantee Redemption Fund in 2002-03 with the objective of meeting the payment obligations arising out of the default in discharging the debt servicing for the loans guaranteed by Government. Creation of Consolidated Sinking Fund and Guarantee Redemption Fund have strengthened the debt sustainability and debt solvency of the State.

Fiscal Scenario in Odisha: Pre-FRBM & Post-FRBM Period

Twelve years have passed since the enactment of FRBM Act (2005-06 to 2016-17) in the State. We compare the post-FRBM period with the pre-FRBM period, a 12-year period from 1993-94 to 2004-05.

The objective is to compare and contrast the performance of fiscal parameters during these periods.

The SOTR and SONTR (as percentage of GSDP) have improved in the post-FRBM period.¹⁵⁴ The Share in Central Taxes and Grants-in-Aid (as percentage of GSDP) in the post-FRBM period have also increased significantly. The improvement in revenue efficiency has financed higher outlay and productive expenditure; as a result the State has witnessed higher growth in GSDP.

Table 4.7. Key Fiscal Parameters: Pre-FRBM and Post-FRBM periods

Fiscal Parameter	Pre-FRBM Period	Post-FRBM Period
State's Own Tax Revenue	4.24%	5.83%
State's Own Non Tax Revenue	1.66%	2.40%
Shared Tax	4.65%	5.78%
Grant-in-Aid	2.93%	3.46%
Revenue Expenditure	16.51%	15.46%
Capital Outlay	1.94%	2.66%
Total Expenditure	18.45%	18.12%
Plan Expenditure	5.41%	6.99%
Non-Plan Expenditure	13.04%	11.45%
Developmental Expenditure	11.33%	12.54%
Non-Developmental Expenditure	7.12%	5.90%
Revenue Deficit	(-)3.03%	2.02%
Fiscal Deficit	(-)5.36%	(-)0.67%
Primary Deficit	(-)1.53%	1.08%
Interest Payment	3.83%	1.75%
Debt Stock (end year)	38.39%	22.02%
CAGR of Interest Payments	15.50%	(-)2.94%
CAGR Debt Stock (end year)	15.59%	4.56%

Source: Compiled from Budget at a Glance, Government of Odisha (various issues)

All parameters are represented in annual averages of 12 year periods. GSDP is at current prices.

All fiscal parameters are calculated with respect to GSDP, except CAGR of Interest Payments and CAGR of Debt Stock.

¹⁵⁴ Annual Average is calculated from 12 Years data.

In the post-FRBM period, revenue expenditure, non-developmental expenditure, non-plan expenditure and committed expenditure (as percentage of GSDP) have declined significantly.

The capital outlay, total expenditure, developmental expenditure and plan expenditure (as percentage of GSDP) have shown significant improvement in the post-FRBM period.

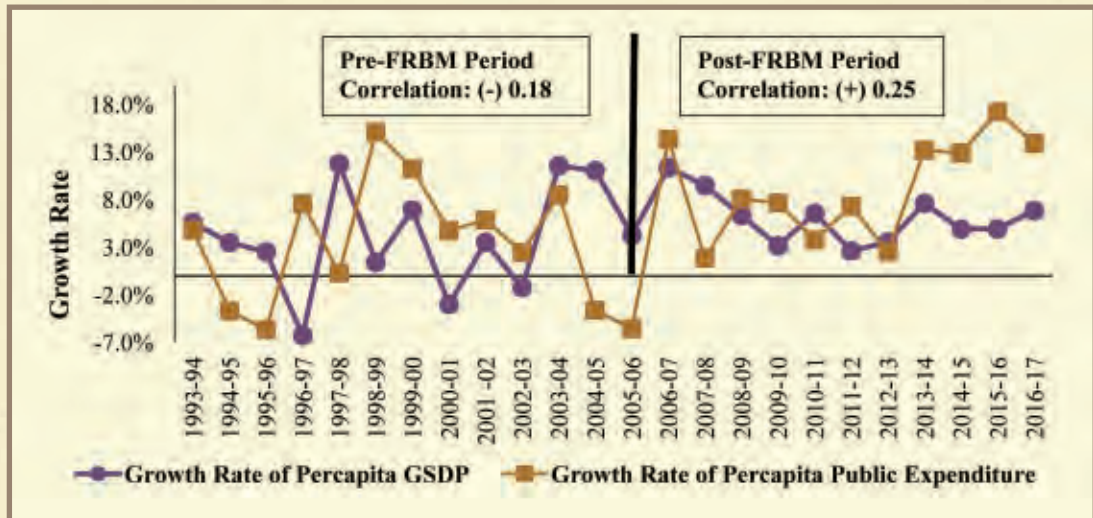
Deficit indicators such as revenue deficit, primary deficit and fiscal deficit (as percentage of GSDP) of Odisha have improved significantly in the post-FRBM period. Both interest payments and debt stock ratio (as percentage of GSDP) have declined significantly during the post-FRBM period. The snap shot of comparison between pre-FRBM and post-FRBM periods, an annual average of twelve years, is presented in Table 4.7.

Expenditure and Economic Growth

Since the prime objective of public expenditure policy is to induce sustained and equitable economic growth, an empirical investigation has been made to establish the nexus between public expenditure and economic growth. In this regard, the association between growth in real per capita public expenditure and growth in real per capita income of the State is examined during both pre-FRBM period (1993-94 to 2004-05) and post-FRBM period (2005-06 to 2016-17). It is observed that the growth in real per capita public expenditure is negatively associated with real per capita economic growth in pre-FRBM period and positively associated during the post-FRBM period (Chart 4.13).

The positive relationship between the public expenditure and the economic growth of the State during post-FRBM period has

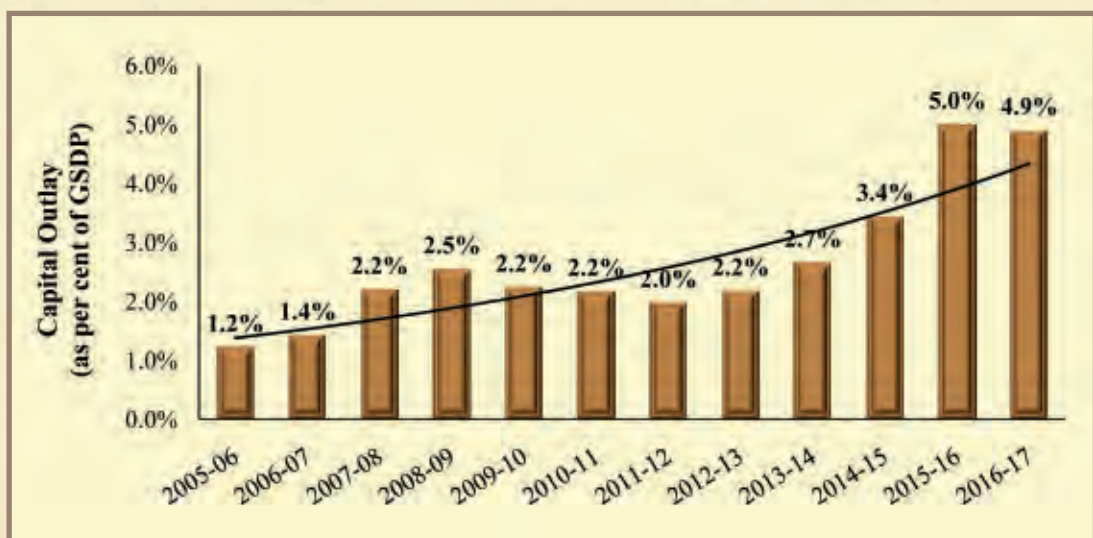
Chart 4.13. Expenditure and Economic Growth



Source: Compiled from Budget at a Glance, Government of Odisha (various issues)

been mainly due to more outlay in Social and Economic Services sectors, signifying improvement in quality of public expenditure, and higher capital formation (Chart 4.14).

Chart 4.14. Capital Outlay (Per cent of GSDP), 2005-06 to 2016-17



Source: Compiled from Budget at a Glance, Government of Odisha (various issues)

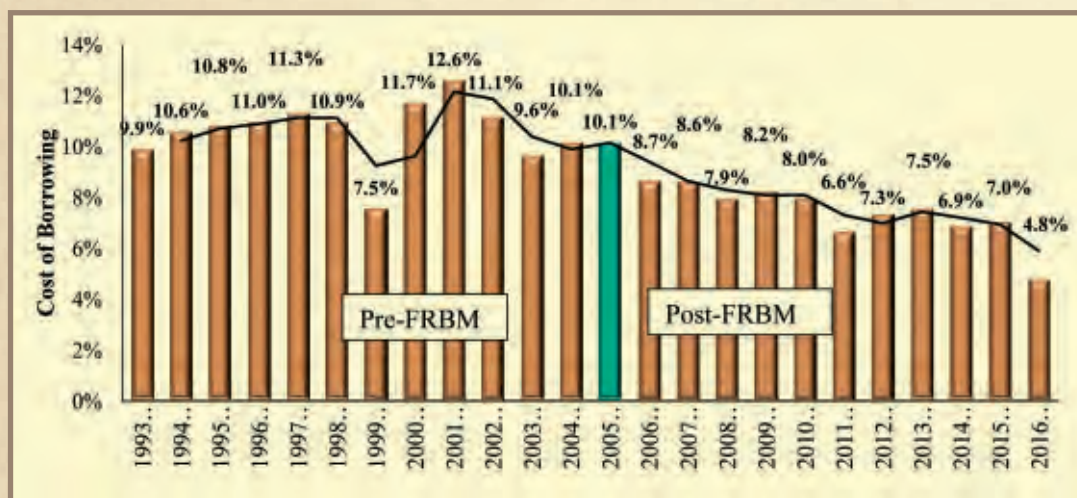
Aspects of Debt Sustainability

Debt sustainability requires the ability to pay the interest on the outstanding debt on the due date. Debt solvency involves paying off the interest due and amortization of outstanding debt, not from raising new debt. Therefore, debt solvency is a necessary condition for debt sustainability. Solvency is a long-term aspect of the debt position of the Government; sustainability is a short-term aspect. To achieve both solvency and sustainability of public debt, the following condition is to be adhered.

$$d < c < g$$

Where, 'd' is the annual growth rate of debt stock, 'c' is the annual cost of borrowing and 'g' is annual growth rate of nominal GSDP.

Chart 4.15. Cost of Borrowing: Pre-FRBM and Post-FRBM Periods



Source: Compiled from Budget at a Glance, Government of Odisha (various issues)

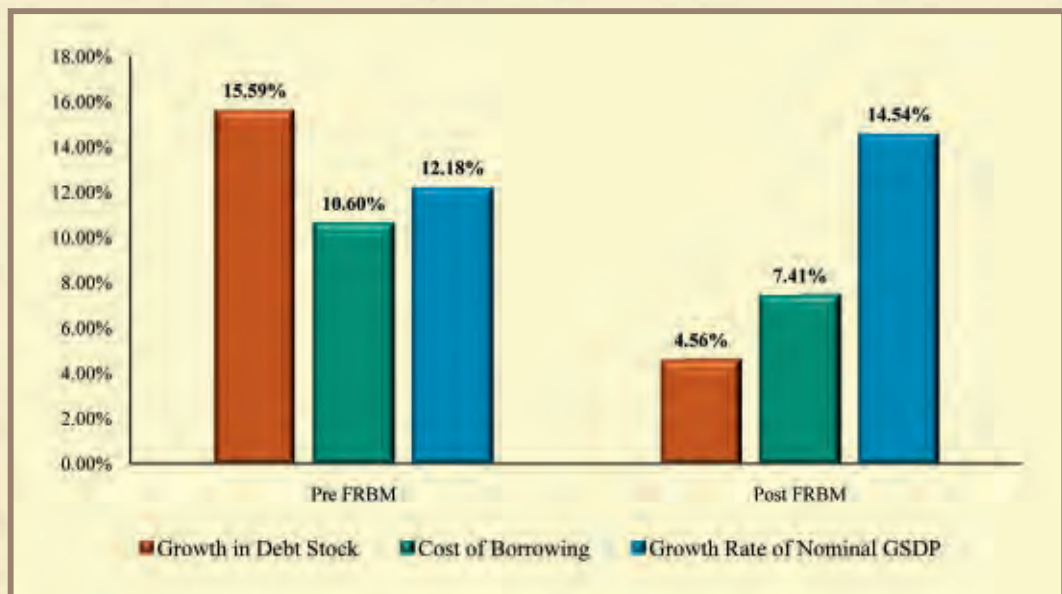
The average cost of borrowing¹⁵⁵ during pre-FRBM period is calculated at 10.60 per cent. It declined to 7.64 per cent in post-FRBM period. Chart 4.15 exhibits the course of average cost of borrowing

¹⁵⁵ Cost of Borrowing_t = Interest Payment_t / Average (Debt Stock_t, Debt Stock_{t-1})

for the pre-FRBM and post-FRBM periods. It represents a decline in the cost of borrowing.

As per the recommendations of the 12th FC, the States are no longer receiving Plan loan from the Government of India. The States can directly access the market for availing loans without the intermediation of Government of India. They are receiving loan assistance from the external donor agencies like World Bank, JICA, BRICS Development Bank and ADB on a back-to-back basis. This has empowered the States to go for need-based. They can also avail loans at a relatively cheaper rate. Borrowings from open market through State Development Loan, Banks and Financial Institutions at negotiable interest rate have reduced the cost of borrowing. As a result, the average cost of borrowing has substantially declined over the last decade.

Chart 4.16. Debt Sustainability Parameters



Source: Compiled from Budget at a Glance, Government of Odisha (various issues)

There has been significant decline in the CAGR of debt stock and cost of borrowing, coupled with a rise in CAGR of nominal GSDP. It is observed that, 'd' (15.6 percent) < 'c' (10.6 percent) < 'g' (12.2 percent) was not satisfied during the pre-FRBM period. Therefore, the debt was neither sustainable nor solvent. The State was in a debt trap condition. However, in the post-FRBM period, 'd' (4.6 percent) < 'c' (7.6 percent) < 'g' (14.5 percent) reflects that both debt sustainability and solvency were achieved because of the prudent debt management policy of the Government.

To Sum Up

Odisha's economy experienced a fiscal imbalance in the form of high fiscal, revenue and primary deficits throughout the 1990s and in the ensuing decade till 2003-04. A possible driver was the mismatch between the expenditure needs and the revenue collections of the State. The formal initiation of the reform process in Odisha commenced with the signing of MoU with the central Government in 1999 and 2001 on a monitorable programme of reaching agreed fiscal goals within a specified period.

The turnaround in the fiscal situation has been possible because the fiscal policy of the State Government has been guided by the FRBM Act, 2005 and the implementation of recommendations of successive Finance Commissions. This has created fiscal space for the State. Adoption of a rule based fiscal framework with medium term fiscal targets through enactment of the FRBM Legislation has helped the State in effective and efficient expenditure management, which in turn controlled both, the continuing deficit scenario and higher debt burden. The objective of Expenditure Management Policy during post-FRBM period has been to link expenditure with monitorable, quantifiable, physical output and outcomes with greater emphasis on increasing capital outlay. The structural reforms in expenditure

management policy have led to a revenue surplus situation along with prudent level of fiscal deficit, debt burden and debt servicing ratio, thereby, creating more fiscal space and flexibility.

A comprehensive program of re-distributing income in order to optimize community's social welfare has been the major plank of public expenditure policy of the State. Besides, the important objectives of the State expenditure involve creating positive externalities and to provide public services on non-negotiable basis.

Having analyzed the rich history of the State Finances, we now move on to the future of it. The next chapter is a glimpse of the Way Forward in the fast changing dynamics of Public Finance. We explore the areas in the budgetary framework where change is imminent in the near future. We put forth a vision for 2036, the year that marks the completion of a hundred years of the formation of the State.



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Government of Odisha

CHAPTER 5

Way Forward



The story so far has been of continuity as well as change. The development vision carried forward by the Government of Odisha over the years has borne visible results. Due to rapid overall development of the remotest of regions, there has been a steep decline in poverty and malnutrition. The commitment of the State to sustainable development is through prudent management of its resources and better revenue generation. It has enabled the State to make higher capital investment in public infrastructure and people-centric welfare measures without recourse to higher borrowing. It has brought in comprehensive and inclusive socio-economic development in the State. The focus has been on equitable distribution of the benefits of growth and development among all sections of the society by 2036, when Odisha would complete a hundred years of its statehood. The vision reflects the aspirational goals of the present generation. The State Government believes in accomplishing this vision by eradicating poverty, eliminating hunger, removing inequalities and empowering all.

The State's overarching approach towards development is closely aligned with the Sustainable Development Goals (SDGs) of the United Nations - crafted as a plan of action for people, planet and prosperity. The vision timeline of 2036 for Odisha encompasses the cutoff for the SDGs in 2030. The State is determined in its approach to mobilize the means required to cater to the needs of its people - the poorest and vulnerable in particular.

To this end, the Government intends to provide basic necessities to all sections of the society. This broadly encompasses eradication of poverty; sustainable agriculture; improved health and nutrition; affordable and quality education and creation of equal employment opportunities; access to affordable, reliable and sustainable energy sources; gender equality and empowerment of women and girls; and the development of resilient infrastructure.

The State is committed to grant access to improved health care facilities by providing qualitative, preventive and curative health care services to the people. The Government focuses not only on providing universal health coverage through establishment of more number of health care centres, particularly in underserved and backward regions, but also on improvement of quality in health services in respect of infant and maternal care.

An important area of Government intervention is the public provisioning of education, given the pivotal role that education plays in accelerating socio-economic development. The State Government intends to transform the quality of education in the State to improve learning outcomes for students. The education system in the State is being recalibrated to prepare the students to meet future challenges. Skill Development by industry aligned vocational training institutes would help make the workforce acquire employable skills. The Government initiative to support and create centres of excellence in Higher Education and research would also go a long way in enhancing quality of human capital. The existing Government policy is to make the State an education hub and to create a knowledge society, ensuring lifelong learning and employable skills to all by 2036.

The State Government is committed to gender equality by ensuring empowerment of women and girls. A number of steps have been taken ranging from increasing enrolment of girl child in schools to providing equal opportunities in economic, social and political spheres of life. Gender Responsive Budgeting is a step in the right direction. It is not just an accounting exercise but an ongoing process of keeping a gender perspective in policy/ programme formulation and its effective implementation. The State Government has also been working for overall development of differently abled persons, provisioning of social security pension, pensions to destitutes and persons with disabilities so as to enable them to lead a dignified life.

The Economic Sector complements the Social Sector in bringing about balanced growth with development in the economy. Towards this end, the Government of Odisha aspires to create integrated infrastructure network in the State.

The State recognizes the pivotal role that entrepreneurship plays in driving the growth of the developing economies. Development of entrepreneurship in Micro, Small and Medium Enterprise (MSME) sector is imperative to make the economy competitive. It also has the potential to promote inclusive growth through empowerment of women, disadvantaged sections as well as educated unemployed youth. The Government strives to promote entrepreneurship through encouragement and assistance to start-ups and innovation, self-employment along with incubator cells and entrepreneurship development cells as infrastructural support.

Agriculture continues to play a central role in the State's economy. Odisha is among the few States preparing a separate Agriculture Budget. The State has formed a separate "Agriculture Cabinet Committee". Agriculture Department has been renamed as Department of Agriculture and Farmers' Empowerment. This is a strategic step towards farmer-centric development. Odisha acknowledges that it cannot eliminate poverty and address the challenging issue of regional disparity without increasing the household income in the Agriculture and allied sectors.

The State has taken many measures to tackle the agrarian distress through compensation and relief, provision of inputs, protective irrigation and many other supportive policy and programme interventions. The efforts in the days to come would be directed at redesigning the strategy for agriculture by reducing drought vulnerability and increasing farm income through higher investment in irrigation, access to institutional credit, provision of quality inputs like seeds, fertilizers, and pesticides. These efforts would also encompass the strategy to mitigate the effects of climate change.

Odisha is regarded as a land of myriad marvels. The State is bestowed with the most stunning destinations which offer a visual feast for the admirers of nature. It is also home to a highly educative and culturally rich heritage belonging to one of the oldest civilizations of the world. Acknowledging the role that tourism can play in economic development, through creation of employment and eradication of poverty in the State, the Government endeavors to develop Odisha as one of the most preferred tourist destinations and to place it prominently on the domestic and international tourism map. The strategy would involve giving high priority to development and promotion of tourism, conservation of heritage and natural environment.

As more number of people move away from the rural areas into urban spaces in search of better employment opportunities, new challenges in the areas of housing, drinking water and sanitation have come up in the urban areas. Urban development, therefore, requires strategic focus.

Government of Odisha intends to make all efforts for the development of slum areas into quality housing modules through planned integration. Slum areas will also be integrated into each city' through infrastructure connection and service delivery. Service delivery in urban areas will be improved significantly through Public - Private Partnership (PPP) interventions, and separate regulatory bodies and municipal service delivery enterprises. Service delivery in small cities can continue to be effectively managed through the regional governance model, where each city serves as a service hub for surrounding rural areas with the hub and spoke model.

Towards making the budget procedure transparent and accountable, the State has in the recent years moved towards an Open Budgeting process. The budget information has been made available in the public domain in a timely and accessible manner. Furthermore, the State has also introduced the Participatory Budget Initiative whereby

the citizens of the State have been able to provide suggestions on matter of revenue collection and expenditure priorities. Lastly, the Budget Consultation Meeting with the various stakeholders has only strengthened the process further.

A second implication of Participatory Budgeting concerns the diffusion of budgetary information through the web in an open format. How public money is collected and distributed is a topic of general interest as everybody gets affected by decisions concerning fiscal/budgetary policies. In consequence, the dissemination of information concerning the allocation of public funds plays a vital role in tackling the public institutions' accountability deficits. Digital technologies are considered as a potential solution for improving transparency in budget-related matters.

In recent years the need for moving towards a Multi-Year Expenditure Framework and a more robust outcome budgeting has been strongly felt. Keeping with the spirit of holistic and medium term budgeting, the focus would be on top-down budgeting where the resource priorities would be guided by medium and long-term strategies. The annual sectoral priorities and allocations would also be set accordingly. Based on medium term allocation under Medium Term Expenditure Framework (MTEF) statement, all the Departments of the State Government would set an outcome/output framework. The MTEF would act as a central element of public expenditure management reform to bridge the disparity between policy-making, planning, budget-implementation and budget outcomes.

At the heart of these changes lies the theme of convergence. The process of convergence will enable the State to achieve synergies by removing duplications and lack of co-ordination among implementing agencies in developmental programmes. Convergence as a process is critical for efficient use of resources, avoidance of wastage, and for ensuring the desired output and outcomes of the schemes and programmes. Convergence encompasses institutional

convergence, convergence of human resources and convergence of financial resources for timely achievement of the envisaged developmental goal efficiently.

Good governance is the key to achieve all round happiness and prosperity. A solid foundation has been laid for the development of the human and natural resources, physical and social infrastructures and institutional frameworks.

Keeping in view the aspiration of people of Odisha, there will be a constant endeavor on the part of all stakeholders to strive together to achieve a higher trajectory of economic and social development on sustainable basis.

We are thankful to the Chief Ministers, Ministers, Legislature and all the stakeholders who have driven this momentous change through their committment to the State's development. This volume serves as a reference to Odisha's past, lending lessons for the present and providing useful guidance for the future.



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